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

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**FORM 10**

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**GENERAL FORM FOR REGISTRATION OF SECURITIES**  
**Pursuant to Section 12(b) or (g) of The Securities Exchange Act of 1934**

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**EVERETT SPINCO, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**3000 Hanover Street**

**Palo Alto, California**

(Address of principal executive offices)

**61-1800317**

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

**94304**

(Zip Code)

**(650) 687-5817**

(Registrant's telephone number, including area code)

*Copies to:*

**A. Peter Harwich**  
**Allen & Overy LLP**  
**1221 Avenue of the Americas**  
**New York, New York 10020**  
**(212) 610-6300**

**Rishi Varma**  
**Senior Vice President, Deputy**  
**General Counsel and Assistant**  
**Secretary**  
**Hewlett-Packard Enterprise**  
**Company**  
**3000 Hanover Street**  
**Palo Alto, California 94304**  
**(650) 687-5817**

**Dennis J. Friedman**  
**Andrew L. Fabens**  
**Gibson, Dunn & Crutcher LLP**  
**200 Park Avenue**  
**New York, New York 10166**  
**(212) 351-4000**

**Securities to be registered pursuant to Section 12(b) of the Act: None.**

**Securities to be registered pursuant to Section 12(g) of the Act:**

**Title of Each Class to be Registered**

Common Stock, par value \$0.01 per share

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Non-accelerated filer ☒

Accelerated filer ☐

Smaller reporting company ☐

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**INFORMATION REQUIRED IN REGISTRATION STATEMENT  
CROSS-REFERENCE SHEET BETWEEN INFORMATION STATEMENT  
AND ITEMS OF FORM 10**

This Registration Statement on Form 10 (the “Form 10”) incorporates by reference information contained in (a) the proxy statement/prospectus-information statement of Computer Sciences Corporation (File No. 333- ) filed herewith as Exhibit 99.1, referred to herein as the proxy statement/prospectus-information statement, (b) the Annual Report on Form 10-K of Computer Sciences Corporation filed herewith as Exhibit 99.2, referred to herein as the Form 10-K, (c) the Quarterly Report on Form 10-Q of Computer Sciences Corporation filed herewith as Exhibit 99.3, referred to herein as the Form 10-Q and (d) the Proxy Statement on Schedule 14A of Computer Sciences Corporation filed herewith as Exhibit 99.4, referred to herein as the Annual Meeting Proxy Statement. None of the information contained in the proxy statement/prospectus-information statement, Form 10-K, Form 10-Q or Annual Meeting Proxy Statement is incorporated by reference herein or shall be deemed to be a part hereof except to the extent such information is specifically incorporated by reference.

**Item 1. *Business.***

The information required by this item is contained under the sections “Risk Factors,” “Information about Everett and Merger Sub” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Everett” of the proxy statement/prospectus-information statement, and Item 1 of the Form 10-K. Those sections are incorporated herein by reference.

**Item 1A. *Risk Factors.***

The information required by this item is contained under the section “Risk Factors—Risks Related to the Combined Company, After the Transactions” of the proxy statement/prospectus-information statement, Item 1A of the Form 10-K and Item 1A of the Form 10-Q. Those sections are incorporated herein by reference.

**Item 2. *Financial Information.***

The information required by this item is contained under the sections “Summary Historical Condensed Consolidated Financial Information of CSC,” “Summary Historical Condensed Combined Financial Information of Everett,” “Summary Unaudited Pro Forma Condensed Combined Financial Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Everett” and “Debt Financing” of the proxy statement/prospectus-information statement, Items 7 and 7A of the Form 10-K and Item 2 of the Form 10-Q. Those sections are incorporated herein by reference.

**Item 3. *Properties.***

The information required by this item is contained under the section “Information about Everett and Merger Sub—Properties” of the proxy statement/prospectus-information statement and Item 2 of the Form 10-K. Those sections are incorporated herein by reference.

**Item 4. *Security Ownership of Certain Beneficial Owners and Management.***

The information required by this item is contained under the sections “Security Ownership of Certain Beneficial Owners, Directors and Executive Officers of CSC” of the proxy statement/prospectus-information statement. That section is incorporated herein by reference.

**Item 5. *Directors and Executive Officers.***

The information required by this item is contained under the section “The Transactions—Board of Directors and Executive Officers of Everett Following the Merger; Operations Following the Merger” of the proxy statement/prospectus-information statement. That section is incorporated herein by reference.

**Item 6. *Executive Compensation.***

The information required by this item is contained under the sections “Executive Compensation” and “Corporate Governance” of the Annual Meeting Proxy Statement. These sections are incorporated herein by reference.

**Item 7. *Certain Relationships and Related Transactions, and Director Independence.***

The information required by this item is contained under the sections “Certain Relationships and Related Party Transactions” and “The Transactions—Interests of Certain Persons in the Merger” of the proxy statement/prospectus-information statement. Those sections are incorporated herein by reference.

**Item 8. *Legal Proceedings.***

The information required by this item is contained under the section “Risk Factors”, and in Note 15, “Litigation and Contingencies” of Everett’s Combined and Condensed Combined Financial Statements, in the proxy statement/prospectus-information statement, Item 3 of the Form 10-K and Item 1 of the 10-Q. Those sections are incorporated herein by reference.

**Item 9. *Market Price of and Dividends on the Registrant’s Common Equity and Related Stockholder Matters.***

The information required by this item is contained under the sections “Risk Factors,” “Summary Historical Condensed Consolidated Financial Information of CSC,” “Summary Historical Condensed Combined Financial Information of Everett,” “Historical Market Price and Dividend Information of CSC Common Stock” and “Summary Unaudited Pro Forma Condensed Combined Financial Information” of the proxy statement/prospectus-information statement, and Item 5 of the Form 10-K. Those sections are incorporated herein by reference.

**Item 10. *Recent Sales of Unregistered Securities.***

None.

**Item 11. *Description of Registrant’s Securities to Be Registered.***

The information required by this item is contained under the section “Description of Everett Capital Stock Before and After the Merger” of the proxy statement/prospectus-information statement. That section is incorporated herein by reference.

**Item 12. *Indemnification of Directors and Officers.***

The information required by this item is contained under the section “Description of Everett Capital Stock Before and After the Merger—Limitation of Liability of Directors; Indemnification of Directors before the Merger” and “Description of Everett Capital Stock Before and After the Merger—Limitations on Liability and Indemnification of Officers and Directors after the Merger” of the proxy statement/prospectus-information statement. Those sections are incorporated herein by reference.

**Item 13. *Financial Statements and Supplementary Data.***

The information required by this item is contained under the heading “Index—Financial Statements” (and the statements referenced thereon) beginning on page F-1 of the proxy statement/prospectus-information statement, Item 8 of the Form 10-K and Item 1 of the Form 10-Q. Those sections are incorporated herein by reference.

**Item 14. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

None.

**Item 15. *Financial Statements and Exhibits.***

***(a) Financial Statements***

The information required by this item is contained under the heading “Index—Financial Statements” (and the statements referenced thereon) beginning on page F–1 of the proxy statement/prospectus-information statement, Item 8 of the Form 10-K and Item 1 of the Form 10-Q. Those sections are incorporated herein by reference.

**(b) Exhibits**

The following exhibits are filed herewith unless otherwise indicated:

<u>Exhibit Number</u>	<u>Description</u>
2.1	Agreement and Plan of Merger, dated May 24, 2016, among Hewlett Packard Enterprise Company, Computer Sciences Corporation, Everett SpinCo, Inc. and Everett Merger Sub, Inc. (Incorporated by reference to Exhibit 2.1 to Form 8-K of Hewlett Packard Enterprise Company, filed with the Securities and Exchange Commission on May 26, 2016.)
2.2	First Amendment to Agreement and Plan of Merger, dated November 2, 2016, by and among Hewlett Packard Enterprise Company, Computer Sciences Corporation, Everett SpinCo, Inc., Everett Merger Sub Inc. and New Everett Merger Sub Inc. (Incorporated by reference to Exhibit 2.1 to Form 8-K of Hewlett Packard Enterprise Company, filed with the Securities and Exchange Commission on November 2, 2016.)
2.3	Separation and Distribution Agreement, dated May 24, 2016, between Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (Incorporated by reference to Exhibit 2.2 to Form 8-K of Hewlett Packard Enterprise Company, filed with the Securities and Exchange Commission on May 26, 2016.)
2.4	First Amendment to Separation and Distribution Agreement, dated November 2, 2016, by and between Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (Incorporated by reference to Exhibit 2.2 to Form 8-K of Hewlett Packard Enterprise Company, filed with the Securities and Exchange Commission on November 2, 2016.)
2.5	Form of Transition Services Agreement between Hewlett Packard Enterprise Company and Everett SpinCo, Inc.†
2.6	Form of Tax Matters Agreement, by and among Computer Sciences Corporation, Hewlett Packard Enterprise Company and Everett SpinCo, Inc.†
2.7	Form of Employee Matters Agreement, by and among Computer Sciences Corporation, Hewlett Packard Enterprise Company and Everett SpinCo, Inc.
2.8	Form of Real Estate Matters Agreement between Hewlett Packard Enterprise Company and Everett SpinCo, Inc.
2.9	Form of Intellectual Property Matters Agreement, by and among Hewlett Packard Enterprise Company, Hewlett Packard Enterprise Development LP and Everett SpinCo, Inc.†
3.1	Certificate of Incorporation of Everett SpinCo, Inc.
3.2	Bylaws of Everett SpinCo, Inc.
4.1	Specimen Common Stock Certificate of Everett SpinCo, Inc.*
21.1	Subsidiaries of Everett SpinCo, Inc.*
99.1	Proxy Statement/Prospectus-Information Statement.
99.2	Annual Report on Form 10-K of Computer Sciences Corporation for the fiscal year ended April 1, 2016, not including exhibits thereto. (Incorporated by reference to Annual Report on Form 10-K of Computer Sciences Corporation, filed with the Securities and Exchange Commission on June 15, 2016.)
99.3	Quarterly Report on Form 10-Q of Computer Sciences Corporation for the quarterly period ended July 1, 2016, not including exhibits thereto. (Incorporated by reference to Quarterly Report on Form 10-Q of Computer Sciences Corporation, filed with the Securities and Exchange Commission on August 9, 2016.)

<u>Exhibit Number</u>	<u>Description</u>
99.4	Proxy Statement on Schedule 14A of Computer Sciences Corporation for the 2016 annual meeting of stockholders. (Incorporated by reference to Schedule 14A of Computer Sciences Corporation, filed with the Securities and Exchange Commission on June 14, 2016.)
99.5	Form of Articles of Incorporation of Everett SpinCo, Inc. following the Merger.
99.6	Form of Bylaws of Everett SpinCo, Inc. following the Merger.
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*	To be filed by amendment.
†	Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant hereby undertakes to furnish copies of any of the omitted schedules and exhibits upon request by the U.S. Securities and Exchange Commission.

## **SIGNATURES**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

EVERETT SPINCO, INC.

By: /s/ Rishi Varma

Name: Rishi Varma

Title: President and Secretary

Date: November 2, 2016

## EXHIBIT INDEX

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99.6	Form of Bylaws of Everett SpinCo, Inc. following the Merger.
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*	To be filed by amendment.
†	Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant hereby undertakes to furnish copies of any of the omitted schedules and exhibits upon request by the U.S. Securities and Exchange Commission.

**TRANSITION SERVICES AGREEMENT**

This TRANSITION SERVICES AGREEMENT, dated as of [ ], 2016 [and effective as of the Distribution Date] (this “Agreement”), is by and between Hewlett Packard Enterprise Company, a Delaware corporation (“Houston”) and Everett SpinCo, Inc., a Delaware corporation (“Everett”). Houston and Everett are sometimes collectively referred to as the “Parties” and each is individually referred to as a “Party.” Unless otherwise defined in this Agreement, all capitalized terms used in this Agreement shall have the meaning set forth in the Separation and Distribution Agreement, dated as of the date hereof, by and between the Parties and other parties named therein (as amended, modified or supplemented from time to time in accordance with its terms, the “Separation Agreement”).

**RECITALS**

WHEREAS, the Board of Directors of Houston has determined that it is in the best interests of Houston and its shareholders to separate the Everett Business from the Houston Business and to create a new publicly traded company to operate the Everett Business;

WHEREAS, Houston and Everett have entered into the Separation Agreement;

WHEREAS, in order to facilitate and provide for an orderly transition under the Separation Agreement, the Parties desire to enter into this Agreement to set forth the terms and conditions pursuant to which each of the Parties shall provide to the other certain Services (as defined herein); and

WHEREAS, the Separation Agreement requires execution and delivery of this Agreement by Houston and Everett on or prior to the Distribution Date.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained in this Agreement, the Parties, intending to be legally bound, hereby agree as follows:

**ARTICLE I  
DEFINITIONS**

The following capitalized terms used in this Agreement shall have the meanings set forth below:

“Additional Services” shall have the meaning set forth in Section 2.3(a).

“Affiliates” shall have the meaning set forth in the Separation Agreement.

“Agreement” shall have the meaning set forth in the Preamble.

“Data Processing Agreement” shall have the meaning set forth in Section 3.4.

“Designated System” shall have the meaning set forth in Section 3.5(e).

“Distribution Date” shall have the meaning set forth in the Separation Agreement.

“Effective Time” shall have the meaning set forth in the Separation Agreement.

“Everett Business” shall have the meaning set forth in the Separation Agreement.

“Everett Confidential Information” shall have the meaning set forth in the Separation Agreement.

“Everett Group” shall have the meaning set forth in the Separation Agreement.

“Everett Indemnified Parties” shall have the meaning set forth in the Separation Agreement.

“Everett Services” shall have the meaning set forth in Section 2.1.

“Everett TSA Manager” shall have the meaning set forth in Section 2.5(a).

“Governmental Authority” shall have the meaning set forth in the Separation Agreement.

“Group” shall have the meaning set forth in the Separation Agreement.

“Houston” shall have the meaning set forth in the Preamble.

“Houston Business” shall have the meaning set forth in the Separation Agreement.

“Houston Confidential Information” shall have the meaning set forth in the Separation Agreement.

“Houston Group” shall have the meaning set forth in the Separation Agreement.

“Houston Indemnified Parties” shall have the meaning set forth in the Separation Agreement.

“Houston Services” shall have the meaning set forth in Section 2.1.

“Houston TSA Manager” shall have the meaning set forth in Section 2.5(a).

“Indemnified Parties” shall mean the Houston Indemnified Parties and the Everett Indemnified Parties.

“Information” shall have the meaning set forth in the Separation Agreement.

“Intellectual Property” shall have the meaning set forth in the Separation Agreement.

“Interest Rate” shall mean an annual rate equal to the lesser of (i) the prime rate (as published by the Wall Street Journal or, if no longer published, such other similar source as reasonably selected by Houston) applicable on the date such payment is due and on each date thereafter that interest is compounded, plus six (6) percentage points and (ii) the highest rate then permitted by Applicable Law.

“Joint Developments” shall have the meaning set forth in Section 3.6(a).

“Law” shall have the meaning set forth in the Separation Agreement.

“Liabilities” has the meaning set forth in the Separation Agreement.

“Losses” shall have the meaning set forth in Section 6.4(a).

“Non-Registering Party” shall have the meaning set forth in Section 3.6(c).

“Party” and “Parties” shall have the respective meanings set forth in the Preamble.

“Person” shall have the meaning set forth in the Separation Agreement.

“Provider” shall mean the Party or its Subsidiary providing a Service under this Agreement.

“Recipient” shall mean the Party or its Subsidiary to whom a Service is provided under this Agreement.

“Registering Party” shall have the meaning set forth in Section 3.6(c).

“Representatives” shall have the meaning set forth in the Separation Agreement.

“Separation Agreement” shall have the meaning set forth in the Preamble.

“Service Charge” shall have the meaning set forth in Section 4.1(a).

“Service Adjustments” shall have the meaning set forth in Section 2.3(b).

“Service Extension” means an extension of the duration of a Service for three (3) months beyond the then-current Service duration, as may be requested by the Recipient and provided by the Provider in accordance with Section 7.1(b).

“Service Increases” shall have the meaning set forth in Section 2.3(b).

“Services” shall have the meaning set forth in Section 2.1.

“Service Schedule” means a Schedule to this Agreement that is included in Schedule A or Schedule B hereto as such Service Schedule is updated accordance herewith and that sets forth terms of a specific Service to be provided hereunder.

“Subsidiaries” shall have the meaning set forth in the Separation Agreement.

“Tax” shall have the meaning set forth in the Separation Agreement.

“Termination Charges” shall have the meaning set forth in Section 7.1(c)(iv).

“Transaction Documents” shall have the meaning set forth in the Separation Agreement.

“TSA-Licensed Software” shall have the meaning set forth in Section 3.5(a).

“TSA Managers” means the Everett TSA Manager and the Houston TSA Manager.

“TSA Owner” shall have the meaning set forth in Section 2.5(c).

“Transaction Taxes” shall have the meaning set forth in Section 4.2(a).

“VAT” shall have the meaning set forth in Section 4.2(a).

“Workstream Representative” shall have the meaning set forth in Section 2.5(b).

## **ARTICLE II**

### **SERVICES, DURATION AND CONTRACT MANAGEMENT**

Section 2.1 **Services**. Subject to the terms and conditions of this Agreement, (a) Houston shall provide or cause to be provided to Everett and Everett’s Subsidiaries, as applicable, the services listed on Schedule A to this Agreement, which will be provided pursuant to the Service Schedules incorporated therein (collectively, the “Houston Services”) and (b) Everett shall provide or cause to be provided to Houston and Houston’s Subsidiaries, as applicable, the services listed on Schedule B to this Agreement, which will be provided pursuant to the Service Schedules incorporated therein (collectively, the “Everett Services,” and, collectively with the Houston Services, any Additional Services and any Service Adjustments, the “Services”). All Services shall be for the sole use and benefit of the respective Recipient and its respective Affiliates. Except as otherwise provided in this Agreement, including Schedule B, Provider shall be required to provide Services to Recipient only in connection with the Recipient’s operation of the Houston Business or the Everett Business (as applicable for the Recipient) substantially as conducted on or prior to the Distribution Date. Except to the extent Recipient did so prior to the Distribution Date, Recipient shall not resell any Services to any Person whatsoever or permit the use of the Services by any Person other than its Affiliates in connection with Recipient’s operation of the Houston Business or the Everett Business (as applicable for the Recipient).

Section 2.2 **Duration of Services**. Subject to the terms of this Agreement, each of Houston and Everett shall provide or cause to be provided to the respective Recipients or their Affiliates, as applicable, each Service from the start date specified in the applicable Service Schedule until the earliest to occur of, with respect to each such Service, (a) the expiration of the term for such Service (or, subject to the terms of Section 7.1(c), the expiration of any Service Extension) as set forth on the applicable Service Schedule; (b) the date on which such Service is terminated under Section 7.1(c); or (c) the expiration or termination of this Agreement.

Section 2.3 **Additional Services and Service Adjustments**.

(a) If, within sixty (60) days after the Distribution Date, either Party (i) identifies a service that (x) the Houston Group (1) provided to the Everett Group prior to the Distribution Date that Everett reasonably needs in order for the Everett Business to continue to operate in substantially the same manner in which the Everett Business operated prior to the

Distribution Date, or (2) are not of the type described in clause (1) but that Everett reasonably believes are necessary for Everett to operate the Everett Business as currently conducted, and such service was not included on Schedule A (other than because the Parties agreed in writing that such service shall not be provided), or (y) the Everett Group provided to the Houston Group prior to the Distribution Date that Houston reasonably needs in order for the Houston Business to continue to operate in substantially the same manner in which the Houston Business operated prior to the Distribution Date, and such service was not included on Schedule B (other than because the Parties agreed in writing that such service shall not be provided), and (ii) provides a written change request (in the form agreed by the Parties) to the other Party requesting such additional services within sixty (60) days after the Distribution Date, then such other Party shall negotiate in good faith to provide such requested additional services (such requested additional services, the “Additional Services”); provided, however, that neither Party shall be obligated to provide any Additional Service if it does not, in its reasonable judgment, have adequate resources to provide such Additional Service. The Service Charges associated with any such Additional Services will be determined in accordance with the terms set forth in Section 4.1(a). The Parties shall document such terms in a Service Schedule to be incorporated in Schedule A or Schedule B, as applicable. The Service Schedule shall describe in reasonable detail the nature, scope, service period(s), and other terms applicable to such Additional Services. Each such Service Schedule shall be deemed part of this Agreement as of the date of such agreement and the Additional Services set forth therein shall be deemed “Services” provided under this Agreement, in each case subject to the terms and conditions of this Agreement.

(b) After the Distribution Date, if a Provider or Recipient desires to adjust any Services or change the manner in which Services are provided (such adjustments and changes other than the addition of Additional Services, “Service Adjustments”), then such Provider or Recipient, as applicable, will provide a written change request (in the form agreed by the Parties) to the other Party, and the Parties shall negotiate in good faith to make such Service Adjustments, provided that, if a Service Adjustment requested by a Recipient (i) is an increase, relative to historical levels prior to the Distribution Date, to the volume, amount, level or frequency, as applicable, of any Service provided by a Provider, or is an increase to the volumes specified in the applicable Service Schedule, and (ii) such increase is reasonably determined by the Recipient as necessary for the Recipient to operate its businesses (such increases, “Service Increases”), then such Provider shall negotiate in good faith to provide such Service Increase; provided, however, that the Provider shall not be obligated to provide any Service Increase if the Provider and Recipient are unable to reach agreement on the terms thereof (including with respect to Service Charges therefor). If the Parties agree to any Service Adjustment, then the Parties shall document such terms in an amendment to the applicable Service Schedule. Each amended Service Schedule, as agreed to in writing by the Parties, shall be deemed part of this Agreement as of the date of such agreement and the Service Adjustments set forth therein shall be deemed “Services” provided under this Agreement, in each case subject to the terms and conditions of this Agreement.

(c) Notwithstanding Section 2.3(b), Provider shall be entitled to make changes from time to time in the manner in which it performs any of the Services; provided that (i) Provider has furnished Recipient notice (the same notice Provider provides its own business) thereof; (ii) Provider changes such practices and procedures for its own business units at the same time; and (iii) Provider gives Recipient a reasonable period of time for Recipient to (A)

adapt its operations to accommodate such changes or (B) reject such changes. In the event Recipient fails to accept or reject a proposed change on or before a reasonable date specified in such notice of change, such failure shall be deemed to be an acceptance of such change. In the event Recipient rejects a proposed change but does not terminate this Agreement, Recipient agrees to pay any reasonable expenses resulting from Provider's need to maintain different or multiple versions of the same system, procedures, technologies, or services or resulting from requirements of their third party vendors.

Section 2.4 **Services Not Included**. No Services provided under this Agreement shall be construed as accounting, legal or tax advice or shall create any fiduciary obligations on the part of any Provider or any of its Affiliates to any Person, including to the Recipient or any of its Affiliates, and the Recipient shall not rely on, or construe, any Services rendered by or on behalf of the Provider as such professional advice.

#### Section 2.5 **Contract Management**.

(a) **TSA Managers**. Houston and Everett will each designate the respective individual set forth in Schedule C to act as its initial services manager (the "Houston TSA Manager" and "Everett TSA Manager," respectively). The TSA Managers will be directly responsible for coordinating and managing the delivery of the Services provided by the applicable Party and have authority to act on such Party's behalf with respect to matters relating to the provision of Services under this Agreement. The TSA Managers will work with the personnel of their respective Group, including the Workstream Representatives, to periodically address issues and matters raised by such personnel relating to the provision of the Services. Notwithstanding the requirements of Section 9.6 of the Separation Agreement (incorporated by reference in Section 8.1), communications between the Parties regarding routine matters under this Agreement shall be made through the Parties' TSA Managers. Each Party shall notify the other of the appointment of a different TSA Manager in accordance with Section 9.6 of the Separation Agreement.

(b) **Workstream Representatives**. Each Party will designate a representative for each workstream within which Services are provided to such Party (e.g., finance, go to market, human resources, information technology, marketing, supply chain, support and services, tax) (each, a "Workstream Representative"). The Workstream Representatives will work with their respective TSA Owners to address issues relating to the Services, and will keep the TSA Managers informed of such issues.

(c) **TSA Owners**. Each Service Schedule sets forth a Houston and Everett representative (each, a "TSA Owner") who will be responsible for the coordination of the Services provided under the applicable Service Schedule. The TSA Owners will keep their respective Workstream Representatives reasonably informed of any issues that arise with respect to the Services provided under their applicable Service Schedule. Each Party shall notify the other of the appointment of a different TSA Owner in accordance with Section 9.6 of the Separation Agreement.

## Section 2.6 **Personnel**

(a) The Provider of any Service will make available to the Recipient of such Service such personnel as Provider determines may be necessary to provide such Service. Except as otherwise set forth in a Service Schedule, the Provider will have the right, in its sole discretion, to (i) designate which personnel it will assign to perform such Service and (ii) remove and replace such personnel at any time; provided, further, that the Provider will use its commercially reasonable efforts to limit the disruption to the Recipient in the transition of the Services to different personnel.

(b) In the event that the provision of any Service by the Provider requires the cooperation and services of the personnel of the Recipient, the Recipient will make available to the Provider such personnel (who shall be appropriately qualified for purposes of so supporting the provision of such Service by the Provider) as may be necessary for the Provider to provide such Service. The Recipient will have the right, in its sole discretion, to (i) designate which personnel it will make available to the Provider in connection with the provision of such Service and (ii) remove and replace such personnel at any time; provided, however, that the Recipient will use its commercially reasonable efforts to limit the disruption to the Provider in the transition of such personnel.

(c) All employees and representatives of any Provider who provide Services under this Agreement shall be deemed for purposes of all compensation and employee benefits matters to be employees or representatives of such Provider and not employees or representatives of the Recipient or any of its Affiliates. In performing the Services, such employees and representatives shall be under the direction, control and supervision of the Provider (and not the Recipient) and Provider shall have the sole right to exercise all authority with respect to the employment (including termination of employment), assignment and compensation of such employees and representatives.

(d) A Provider may hire or engage one or more subcontractors to perform any or all of its obligations under this Agreement; provided, however, that (i) such Provider shall use the same degree of care in selecting any such subcontractor as it would if such contractor was being retained to provide similar services to the Provider, and (ii) such Provider shall in all cases remain primarily responsible for all of its obligations under this Agreement with respect to the scope of the Services, the standard for services as set forth herein and the content of the Services provided to the Recipient.

(e) Nothing in this Agreement shall grant the Provider, or its employees, agents and third-party providers that are performing the Services, the right directly or indirectly to control or direct the operations of the Recipient or any member of its Group. Such employees, agents and third-party providers shall not be required to report to the management of the Recipient nor be deemed to be under the management or direction of the Recipient. The Recipient acknowledges and agrees that, except as may be expressly set forth herein as a Service (including any Additional Services or Service Adjustments) or otherwise expressly set forth in the Separation Agreement, another Transaction Document or any other applicable agreement, no Provider or any member of its Group shall be obligated to provide, or cause to be provided, any service or goods to any Recipient or any member of its Group.



Section 2.7 **Non-Exclusivity**. Nothing in this Agreement shall preclude any Recipient from obtaining, in whole or in part, services of any nature that may be obtainable from the Provider, from its own employees or from providers other than the Provider.

### **ARTICLE III ADDITIONAL ARRANGEMENTS**

Section 3.1 **Computer-Based and Other Resources**. Each Party and its Subsidiaries shall cause all of their personnel having access to the computer software, networks, hardware, technology or computer-based resources of the other Party and its Subsidiaries in connection with the performance, receipt or delivery of a Service, to comply with all security guidelines (including physical security, network access, internet security, confidentiality and personal data security guidelines) of such other Party and its Affiliates of which written notice is provided by such other Party. Each Party shall ensure that the access contemplated by this Section 3.1 shall be used by its personnel only for the purposes contemplated by, and subject to the terms of, this Agreement. Except as expressly provided in the Separation Agreement, any other Transaction Document or any other applicable agreement or as required in connection with the performance, receipt or delivery of a Service, each of the Parties and its Affiliates shall cease using (and shall cause their employees to cease using) the services made available by the other Party and its Affiliates prior to the Distribution Date.

Section 3.2 **Access Rights**.

(a) Everett shall, and shall cause its Subsidiaries to, allow Houston and its Subsidiaries and their respective Representatives reasonable access to the facilities of Everett and its Subsidiaries necessary for Houston to fulfill its obligations under this Agreement.

(b) Houston shall, and shall cause its Subsidiaries to, allow Everett and its Subsidiaries and their respective Representatives reasonable access to the facilities of Houston and its Subsidiaries necessary for Everett to fulfill its obligations under this Agreement.

(c) Notwithstanding the other rights of access of the Parties under this Agreement, each Party shall, and shall cause its Subsidiaries to, afford, following not less than five (5) business days' prior written notice from the other Party and during normal business hours, (i) the other Party, its Subsidiaries and Representatives escorted access to the facilities and personnel of the relevant Providers and (ii) a third party designated by the other Party and approved by the relevant Provider (such approval not to be unreasonably withheld), reasonable access to the information, systems and infrastructure of the Provider, in each case as reasonably necessary for the other Party to verify the Provider's compliance with its obligations hereunder and the adequacy of internal controls over information technology, reporting of financial data and related processes employed in connection with the Services, including in connection with verifying compliance with Section 404 of the Sarbanes-Oxley Act of 2002; provided, however, (A) such access shall not unreasonably interfere with any of the business or operations of such Provider, (B) if a Party determines that providing such access could violate any applicable Law or agreement or waive any attorney-client privilege, then the Parties shall use commercially reasonable efforts to permit such access in a manner that avoids each of such harm and consequence, (C) if a Party determines that providing such access requires a third-party consent,

such access shall be subject to the receipt of such third-party consent, and (D) any third party that is provided access pursuant to this Section will be required to execute a non-disclosure agreement that restricts such third party from disclosing confidential information of the audited Provider to the Party that engaged such third party, except to the extent required to report on the extent to which the audited Provider is not in compliance with its obligations or its controls are not adequate.

(d) Except as otherwise permitted by the other Party in writing, each Party shall permit only its authorized Representatives, contractors, invitees or licensees to access the other Party's facilities.

Section 3.3 **Cooperation**. It is understood that it will require the significant efforts of both Parties to implement this Agreement and to ensure performance of this Agreement by the Parties at the agreed-upon levels in accordance with all of the terms and conditions of this Agreement. The Parties will cooperate, acting in good faith and using commercially reasonable efforts, to effect a smooth and orderly transition of the Services provided under this Agreement from the Provider to the Recipient (including, as applicable, the assignment or transfer of the rights and obligations under any third-party contracts relating to the Services); provided, however, that this Section 3.3 shall not require either Party to incur any out-of-pocket costs or expenses unless and except as expressly provided in a Service Schedule or elsewhere in this Agreement or otherwise agreed to in writing by the Parties.

Section 3.4 **Data Protection**. Concurrently with the execution and delivery hereof, the Parties will execute and deliver the Data Processing Agreement attached as Schedule D (the "Data Processing Agreement").

### Section 3.5 **Software License Terms**.

(a) Software that is made available by a Provider to Recipient in connection with any Service (any such Software being referred to herein as "TSA-Licensed Software") provided hereunder will be subject to the terms set forth in this Section 3.5 except as otherwise provided in the applicable Service Schedule. The Provider hereby grants to the Recipient a non-exclusive, non-transferable license to use, in object code form, any TSA-Licensed Software that is made available by the Provider pursuant to a Service Schedule. For the avoidance of doubt, the Provider that makes available any TSA-Licensed Software in connection with the provision of any Service retains the unrestricted right to enhance or otherwise modify such TSA-Licensed Software at any time, provided that such enhancements or other modifications do not disrupt the provision of such Service to the Recipient.

(b) The Recipient may not exceed the number of licenses, agents, tiers, nodes, seats, or other use restrictions or authorizations, if any, specified in the applicable Service Schedule. Some TSA-Licensed Software may require license keys or contain other technical protection measures. The Recipient acknowledges that the Provider may monitor the Recipient's compliance with use restrictions and authorizations remotely, or otherwise. If the Provider makes a license management program available which records and reports license usage information, the Recipient agrees to appropriately install, configure and execute such license management program.

(c) Unless otherwise permitted by the Provider, the Recipient may only make copies or adaptations of the TSA-Licensed Software for archival purposes or when copying or adaptation is an essential step in the authorized use of TSA-Licensed Software. If the Recipient makes a copy for backup purposes and installs such copy on a backup device, the Recipient may not operate such backup installation of the TSA-Licensed Software without paying an additional license fee, except in cases where the original device becomes inoperable. If a copy is activated on a backup device in response to failure of the original device, the use on the backup device must be discontinued when the original or replacement device becomes operable. The Recipient may not copy the TSA-Licensed Software onto or otherwise use or make it available on, to, or through any public or external distributed network. Licenses that allow use over the Recipient's intranet require restricted access by authorized users only.

(d) The Recipient must reproduce all copyright notices that appear in or on the TSA-Licensed Software (including documentation) on all permitted copies or adaptations. Copies of documentation are limited to internal use.

(e) Notwithstanding anything to the contrary herein, certain TSA-Licensed Software may be licensed under the applicable Service Schedule for use only on a computer system owned, controlled, or operated by or solely on behalf of the Recipient and may be further identified by the Provider by the combination of a unique number and a specific system type ("Designated System") and such license will terminate in the event of a change in either the system number or system type, an unauthorized relocation, or if the Designated System ceases to be within the possession or control of the Recipient.

(f) The Recipient will not modify, reverse engineer, disassemble, decrypt, decompile, or make derivative works of the TSA-Licensed Software. Where the Recipient has other rights mandated under statute, the Recipient will provide the Provider with reasonably detailed information regarding any intended modifications, reverse engineering, disassembly, decryption, or decompilation and the purposes therefor.

(g) The Recipient may permit a consultant or subcontractor to use TSA-Licensed Software at the licensed location for the sole purpose of providing services to the Recipient.

(h) Upon expiration or termination of the Service Schedule under which TSA-Licensed Software is made available, the Recipient will destroy the TSA-Licensed Software. The Recipient will remove and destroy or return to the Provider any copies of the TSA-Licensed Software that are merged into adaptations, except for individual pieces of data in the Recipient's database. The Recipient will provide certification of the destruction of TSA-Licensed Software, and copies thereof, to the Provider. The Recipient may retain one copy of the TSA-Licensed Software subsequent to expiration or termination solely for archival purposes.

(i) The Recipient may not sublicense, assign, transfer, rent, or lease the TSA-Licensed Software to any other person except as permitted in this Section 3.5.

(j) The Recipient agrees that the Provider may engage a third party designated by the Provider and approved by the Recipient (such approval not to be unreasonably

withheld) to audit the Recipient's compliance with the Software License terms. Any such audit will be at the Provider's expense, require reasonable notice, and will be performed during normal business hours. Such third party will be required to execute a non-disclosure agreement that restricts such third party from disclosing confidential information of the Recipient to the Provider, except to the extent required to report on the extent to which the Recipient is not in compliance with the Software License terms.

### Section 3.6 **Joint Developments**.

(a) Certain Service Schedules contemplate that the Parties or their respective Affiliates will engage in specified joint development activities with respect to software, technology or other subject matter ("**Joint Developments**"). Unless otherwise provided in an applicable Service Schedule, Joint Developments shall be governed by this **Section 3.6**. Any trade secrets or other confidential information embodied in or comprising any Joint Development shall be deemed to be Houston Confidential Information and Everett Confidential Information.

(b) Joint Developments, and all Intellectual Property therein and thereto, shall be jointly owned by the Parties or their applicable Affiliates. Each Party and its Affiliates will have the right to (i) use and exploit the Joint Developments, (ii) license the Joint Developments to third parties on a non-exclusive basis, and (iii) transfer its joint ownership interest in any or all Joint Developments to any third party, in each case (x) without restriction, (y) without the consent of the other Party, and (z) without the obligation to account to the other Party for profits derived therefrom.

(c) Should either Party or an Affiliate thereof desire at any time to register a copyright covering any Joint Development or seek patent protection for any invention included in the Joint Developments in any jurisdiction, such Party (the "**Registering Party**") shall notify the other Party (the "**Non-Registering Party**") in writing of its intent and the reasons therefor. The Non-Registering Party promptly shall communicate in writing any objections it may have with respect thereto. In the absence of any written objections within thirty (30) days after the date of such notice, the Registering Party shall be free to proceed with the desired registration in the name of both Parties. In the event of any such objections by the Non-Registering Party, the Parties shall discuss and negotiate reasonably and in good faith to resolve the objections based on each Party's business objectives with respect to the relevant item of Joint Developments. The Registering Party will consult with the Non-Registering Party with respect to any material developments in prosecuting any patent application or other application filed by the Registering Party pursuant to this **Section 3.6(c)** with respect to Intellectual Property covering a Joint Development and consider in good faith any comments or feedback received from the Non-Registering Party. The Parties shall share equally any actual and reasonable out-of-pocket expenses (excluding the value of the time of either Party's employees) incurred in connection with any such registration. The Registering Party promptly shall provide the Non-Registering Party with copies of each application and issued registration or issued patent under this **Section 3.6(c)**.

(d) If either Party or any Affiliate thereof become aware of any actual infringement or misappropriation of Joint Developments by a third party, such Party shall communicate within a reasonable time the details to the other Party and the Parties will meet and

confer regarding any enforcement action with respect to such Joint Developments. If the Parties decide jointly to bring an action for infringement or misappropriation of such Joint Developments, the Parties shall equally share all actual and reasonable expenses associated therewith (except for the value of the time of each party's employees in connection with the action; each Party shall alone bear its employee expenses) and any resulting damages or compensation, including any amounts paid in settlement. If the Parties decide not to jointly bring such an action, either Party or any of its Affiliates may, at its own expense (including, as the Parties shall agree on a case by case basis, compensation, if any, of the other party for the value of time of the other party's employees as reasonably required in connection with the action), enforce any Intellectual Property covering the relevant Joint Development against any third party infringer without the consent of the other Party, subject to the following: (i) neither Party shall have any obligation to be joined as a party plaintiff in such action without its prior written consent, which may be granted or withheld in its sole discretion, regardless of whether such joinder is required in order to confer jurisdiction in the jurisdiction in which the action is to be brought, (ii) if either Party brings any such action on its own, including cases in which the other party consents to be named as party plaintiff, the Party bringing the action agrees to defend, indemnify and hold harmless the other Party for all losses, costs, liabilities and expenses arising out of or related to the bringing of such action, and (iii) the Party bringing such action shall not take any action, or make any admissions, that may affect the validity of any registration for the jointly-owned Intellectual Property being asserted in such action or the confidentiality of any jointly-owned trade secrets in any Joint Developments without the prior written consent of the other Party. If the enforcing Party or its Affiliate recovers any damages or compensation for any action the enforcing Party or such Affiliate, including any settlement, the enforcing party or the subsidiaries of the enforcing Party shall retain one hundred percent (100%) of such damages. If the Parties cooperate in any such enforcement action, then any recovery of damages or compensation shall be allocated pursuant to mutual agreement.][<sup>1</sup>

Section 3.7 **Cybersecurity Services Standards and Policies**. Each of the Parties agrees that, during the term of this Agreement, it and its Affiliates will adhere to the Houston Information Security Standards and Houston Information Security Policy existing as of the Effective Date and attached as **Schedule E** hereto, as they may hereafter be amended from time to time by written agreement of the Parties.

Section 3.8 **[Shared Applications]**. The Parties acknowledge that they or their respective Affiliates may be required in connection with the provision or receipt of any Service to access or use a software application and related data that is being accessed or used concurrently by the other Party or the other Party's Affiliates. The Parties agree to reasonably cooperate to ensure that such concurrent use or access of such applications and related data does not result in the disruption of either Party's or its Affiliates business activities.][<sup>2</sup>

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<sup>1</sup> NTD: Section 3.6 should be included only if any of the services provided under the TSA will involve joint development activities.

<sup>2</sup> NTD: Section 3.8 should be included only if there will be shared applications to which Houston and SpinCo both will need access.

### Section 3.9 **Cooperation Regarding Routine Requests for Information and Certain Services.**

(a) The Parties acknowledge and agree that the Parties and their Affiliates will require in the conduct of their respective businesses documents or information in the possession of the other Party or the other Party's Affiliates from time to time during the term of this Agreement. During the Term and for two years thereafter, Provider shall keep books and records relating to the provision of the Services in a manner consistent with how such books and records were kept by Provider (or its predecessor) with respect to the Houston Business or the Everett Business (as applicable for the Provider) as of the Effective Date, subject to Provider's records retention policies (as such policies may be amended or otherwise modified from time to time). Without limiting any Party's obligations under any other provision of this Agreement with respect to cooperation and the provision of information or access to books and records, each Party agrees that it and its Affiliates will reasonably cooperate with the other Party and the other Party's Affiliates with respect to routine requests for documents or information that the other Party and the other Party's Affiliates reasonably may make from time to time, including promptly responding to any telephonic requests for information that the other Party or the other Party's Affiliates may make from time to time. For the avoidance of doubt, nothing in this Section 3.9(a) requires a Party to provide any consulting or other services to the requesting Party or the requesting Party's Affiliates or to incur any expenses (other than the expense associated with its personnel responding to requests for information).

(b) If and to the extent either Party requests additional routine services or support from the other Party that requires the other Party to make available its personnel to the other Party or its Affiliates, including the provision of Information, and the other Party is not obligated to provide such additional services or support under the obligations it may have under this Agreement (including any Service Schedule) or the Separation Agreement, if the amount of time expended by any individual providing such services and support represents or is expected to represent more than twenty percent (20%) of such individual's work time during a calendar month, then the Parties will enter into a Service Schedule to be incorporated in Schedule A or Schedule B, as applicable, that will describe in reasonable detail the nature, scope, service period(s), payment and other terms applicable thereto. None of the services and support, including the provision of Information, provided under this Section 3.9(b) shall include the licensing or assignment of any Intellectual Property except to the extent expressly provided in a Service Schedule entered into pursuant to this Section 3.9(b).

## ARTICLE IV SERVICE FEES; TAXES

### Section 4.1 **Costs and Disbursements.**

(a) Except as otherwise provided in the applicable Service Schedule, the Recipient of a Service shall pay to the Provider of such Service a fee (each fee constituting a "Service Charge") for the Service equal to the Provider's actual cost in providing such Service, plus the applicable markup provided for in Schedule F (the "Markup"). The Provider's actual cost to provide the Services will be determined in accordance with the methodology (e.g., time and materials) set forth in the applicable Service Schedule. In no event will the Provider's actual

cost include any indirect overhead costs, including overhead costs for global functions, IT or real estate, except to the extent that recovery of such costs is expressly permitted under the applicable Service Schedule.

(b) The actual costs incurred by the Provider will be determined on a monthly basis or on such other frequency as may be provided in the applicable Service Schedule or mutually agreed by the Parties and the Provider shall provide with the applicable invoice all substantiation of actual costs that the Recipient may reasonably request.

(c) During the term of this Agreement, the amount of a Service Charge for any Service may increase or decrease to the extent of: (i) any increases or decreases mutually agreed to by the Parties, (ii) any Service Charges applicable to any Additional Services or Service Adjustments, (iii) any increase in the applicable Service Charge during a Service Extension, in accordance with Section 7.1(b), and (iv) any increase in the rates or charges imposed by any unaffiliated third-party provider that is providing Services. Together with any invoice for Service Charges, the Provider shall provide the Recipient with appropriate documentation to support such increase or decrease to the Service Charges.

(d) Except as set forth in Section 4.1(a), Section 4.1(g), the Provider shall be responsible for all out-of-pocket costs and expenses incurred by the Provider or its Affiliates in connection with providing the Services (including necessary travel-related expenses) to the extent that such costs and expenses are not reflected in the Service Charge for such Services.

(e) Unless otherwise agreed in writing by the Parties prior to the provision of the applicable Services, the amounts payable under this Agreement (i) for Services provided in the United States will be invoiced by the Party that is the Provider of the Services and paid by the Party that is the Recipient of the Services and (ii) for Services provided outside the United States will be invoiced by the Affiliate of the Party that is the Provider of the Services and paid by the Affiliate of the Party that is the Recipient of the Services. The Provider will provide an invoice to the Recipient no later than the 15<sup>th</sup> day of each month for the Service Charges and Transaction Taxes payable for, and reimbursable expenses incurred during, the prior month. The Recipient shall pay the amounts stated as due in each monthly invoice by wire transfer (or such other method of payment as may be agreed between the Parties) to the Provider within thirty (30) days of the receipt of each such invoice, including appropriate documentation as described herein, as instructed by the Provider. The Recipient shall notify the Provider promptly, and in no event later than thirty (30) days following receipt of the Provider's invoice, of any disputed amounts. If the Recipient does not notify the Provider of any disputed amounts within such thirty (30)-day period, then Recipient will be deemed to have accepted the Provider's invoice. Any invoiced amounts not paid within such thirty (30)-day period shall be subject to interest from the due date until the date of payment, compounded monthly, at the Interest Rate. All amounts due and payable hereunder shall be invoiced and paid in (A) U.S. dollars or (B) if the Parties so agree, a foreign currency agreed by the Parties. With respect to any Provider that is domiciled outside of the United States that provides Services to a Recipient that is domiciled outside the United States, if required by any applicable Law or otherwise reasonably requested by a Party or an Affiliate thereof, any such Provider and such Recipient will enter into a local country agreement providing for the performance of such Services. Section 4.2 shall apply to these invoices accordingly.

(f) Subject to the confidentiality provisions applicable pursuant to Section 5.4, each Party shall, and shall cause its Subsidiaries to, provide, upon thirty (30) days' prior written notice from the other Party, any information within such Party's or its Subsidiaries' possession that the requesting Party reasonably requests in connection with any Services being provided to such requesting Party by an unaffiliated third-party provider, including any applicable invoices, agreements documenting the arrangements between such third-party provider and the Provider and other supporting documentation; provided, however, that each Party shall make no more than one (1) such request during any fiscal quarter.

(g) Any costs and expenses incurred by either Party in connection with obtaining any third-party consent contemplated by Section 5.1(b) that is required to allow the Provider to perform or cause to be performed any Service shall be borne by the Recipient.

(h) If at any time after the Effective Date, any change in applicable law or other material unanticipated change in the operating environment of the Houston Business or the Everett Business materially increases (directly or indirectly) Provider's cost of providing the Services, Provider shall notify Recipient of such increased cost and the Parties shall promptly negotiate in good faith to adjust the Service Charges for each Service to accurately and fairly account for such increased cost to Provider.

#### Section 4.2 **Tax Matters.**

(a) Without limiting any provisions of this Agreement, the Service Charges (and prices charged therefor) are exclusive of, and the Recipient shall be responsible for, (i) all excise, sales, use, transfer, stamp, documentary, filing, recordation and other similar transaction Taxes, (ii) any value added, goods and services or similar recoverable transaction Taxes ("VAT") and (iii) any related interest and penalties (collectively, "Transaction Taxes") that Provider is not at fault for causing, in each case imposed or assessed as a result of the provision of Services by the Provider. To the extent that cross-border Services to be performed hereunder fall within Article 44 of the EU VAT Directive or the relevant equivalent national provision and the Provider is not required to charge VAT, the Recipient agrees that it will itself account for VAT in its own jurisdiction on the performance of such cross-border Services made to it hereunder and will provide to the Provider a valid VAT registration number, certificate (or equivalent documentation) in the jurisdiction with respect to the country or region of receipt of such cross-border Services. The Provider will issue legally compliant invoices to the Recipient usable by the Recipient to recover (by way of credit or refund) Transaction Taxes in jurisdictions where they are recoverable. In the event the Tax authorities question the Transaction Tax treatment of the Services provided, the Provider and the Recipient will work together to issue corrected invoices where applicable. The Recipient and the Provider agree to utilize commercially reasonable efforts to collaborate regarding any requests for information, audit, controls or similar requests of the Tax authorities concerning Transaction Taxes and which involve the Services provided under this Agreement. The Provider and the Recipient agree to take commercially reasonable actions to cooperate in obtaining any refund, return or rebate, or applying zero-rating for Services giving rise to any Transaction Taxes, including filing any necessary exemption or other similar forms or providing valid VAT identification numbers or other relevant registration numbers, certificates or other similar documents. The Recipient shall promptly reimburse the Provider for any costs incurred by the Provider or its Affiliates in



connection with the Recipient obtaining a refund or overpayment of refund, return, rebate or the like of any Transaction Tax. For the avoidance of doubt, any applicable gross receipts-based or net income-based Taxes imposed on payments received by Provider shall be borne by the Provider unless the Provider is required by Law to collect or obtain, or allowed to separately invoice for and collect or obtain, reimbursement of such Taxes from the Recipient.

(b) If the Parties agree that the Service Charges will be invoiced and paid centrally by the Parties, then no non-recoverable taxes will be invoiced by the Provider as a result of such invoicing and payment arrangement.

(c) The Recipient shall be entitled to deduct and withhold Taxes required by applicable Law to be withheld on payments made to the Provider pursuant to this Agreement. To the extent any amounts are so withheld, the Recipient shall (i) pay such deducted and withheld amount to the proper Governmental Authority and (ii) promptly provide to the Provider evidence of such payment to such Governmental Authority. The Provider shall not “gross up” any amounts invoiced to the Recipient to account for any Taxes required to be withheld by applicable Law. The Provider shall, prior to the date of any payment to be made pursuant to this Agreement, make commercially reasonable efforts to provide the Recipient any certificate or other documentary evidence (A) required by any applicable Law or (B) which the Provider is entitled by any applicable Law to provide in order to reduce the amount of any Taxes that may be deducted or withheld from such payment, and the Recipient agrees to accept and act in reliance on any such duly and properly executed certificate or other applicable documentary evidence.

Section 4.3 **No Right to Set-Off**. The Recipient shall timely pay the full amount of Service Charges and shall not set off, counterclaim or otherwise withhold any amount owed to the Provider under this Agreement on account of any obligation owed by the Provider to the Recipient.

## **ARTICLE V STANDARD FOR SERVICE**

### **Section 5.1 Standard for Service**

(a) Each Provider agrees (i) to perform any Services that it provides hereunder at substantially the same levels as those Services were provided by Provider prior to the Distribution Date and with substantially the same nature, quality, standard of care and service levels at which the same or similar services were performed by or on behalf of such Provider prior to the Distribution Date or, if not so previously provided, then substantially similar to those which are applicable to similar services provided to the Provider’s Affiliates or other business units; (ii) if specific target performance metrics are set forth in a particular Service Schedule, it will provide the applicable Services in accordance with such metrics, and (iii) upon receipt of written notice from the Recipient identifying any outage, interruption or other failure of any Service, to respond to such outage, interruption or other failure of such Service in a manner that is substantially similar to the manner in which such Provider or its Affiliates responded to any outage, interruption or other failure of the same or similar services prior to the Distribution Date or, with respect to services for which same or similar services were not provided prior to the

Distribution Date, in a manner that is substantially similar to the manner in which such Provider or its Affiliates responds with respect to internally provided services. The Parties acknowledge that an outage, interruption or other failure of any Service shall not be deemed to be a breach of the provisions of this Section 5.1(a) so long as the applicable Provider complies with the foregoing clause (iii).

(b) Nothing in this Agreement shall require the Provider to perform or cause to be performed any Service to the extent that the manner of such performance would constitute a violation of applicable Law or any existing contract or agreement with a third party. If the Provider is or becomes aware of any potential violation on the part of the Provider, the Provider shall promptly send a written notice to the Recipient of any such potential violation. The Parties each agree to cooperate and use commercially reasonable efforts to obtain any necessary third-party consents required under any existing contract or agreement with a third party to allow the Provider to perform or cause to be performed any Service in accordance with the standards set forth in Section 5.1(a), subject to Section 4.1(g). If, with respect to a Service, the Parties, despite the use of such commercially reasonable efforts, are unable to obtain a required third-party consent or the performance of such Service by the Provider would continue to constitute a violation of applicable Law, the Provider shall use commercially reasonable efforts in good faith to provide such Services in a manner as closely as possible to the standards described in Section 5.1(a) that would apply absent the exception provided for in the first sentence of this Section 5.1(b).

Section 5.2 **Disclaimer of Warranties**. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THE PARTIES ACKNOWLEDGE AND AGREE THAT THE SERVICES ARE PROVIDED AS-IS, THAT EACH RECIPIENT ASSUMES ALL RISKS AND LIABILITIES ARISING FROM OR RELATING TO ITS USE OF AND RELIANCE UPON THE SERVICES AND EACH PROVIDER, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT THERETO. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH PROVIDER HEREBY EXPRESSLY DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES REGARDING THE SERVICES, WHETHER EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, BY STATUTE OR OTHERWISE, INCLUDING ANY REPRESENTATION OR WARRANTY IN REGARD TO QUALITY, PERFORMANCE, NONINFRINGEMENT, COMMERCIAL UTILITY, MERCHANTABILITY OR FITNESS OF ANY SERVICE FOR A PARTICULAR PURPOSE.

Section 5.3 **Compliance with Laws and Regulations**. Each Party shall be responsible for its own compliance and its subcontractors' compliance with any and all Laws applicable to its performance under this Agreement. No Party shall knowingly take any action in violation of any such applicable Law that results in liability being imposed on the other Party.

Section 5.4 **Treatment of Confidential Information**. Houston Confidential Information or Everett Confidential Information that is disclosed by the respective Party or any its Subsidiaries in connection with the provision or receipt of Services shall be subject to the confidentiality and use restrictions set forth in Section 7.2 of the Separation Agreement.

## ARTICLE VI

### LIABILITY LIMITATIONS AND INDEMNIFICATION

Section 6.1 **Consequential and Other Damages**. Notwithstanding anything to the contrary contained in the Separation Agreement or this Agreement, except for breaches of confidentiality obligations or in the case of gross negligence or willful misconduct, no Party shall be liable to the other Party or any of its Affiliates or Representatives, whether in contract, tort (including negligence and strict liability) or otherwise, at law or equity, for any special, indirect, incidental, punitive or consequential damages whatsoever (including lost profits or damages calculated on multiples of earnings approaches), which in any way arise out of, relate to or are a consequence of, the performance or nonperformance by such Party (including any Affiliates and Representatives and any unaffiliated third-party providers, in each case, providing any applicable Services) under this Agreement or the provision of, or failure to provide, any Services under this Agreement, including with respect to business interruptions or claims of customers, even if such Party has been advised of the possibility of such damages.

Section 6.2 **Limitation of Liability**. Except for (a) payment of Service Charges, (b) breaches of confidentiality obligations, (c) claims arising from gross negligence or willful misconduct, and (d) liability for indemnification with respect to third-party claims pursuant to Section 6.4 or 6.5, the liability of a Party and its Affiliates and Representatives, collectively, for any act or failure to act in connection with a Service Schedule (including the performance or breach of such Service Schedule), or from the sale, delivery, provision or use of any Services provided under or contemplated by a Service Schedule, whether in contract, tort (including negligence and strict liability) or otherwise, at law or equity, shall not exceed the aggregate Service Charges actually paid to such Party and its Affiliates under such Service Schedule up to the date of the event giving rise to such liability.

Section 6.3 **Obligation to Re-perform; Liabilities**. In the event of any breach of this Agreement by any Provider with respect to the provision of any Services (with respect to which the Provider can reasonably be expected to re-perform in a commercially reasonable manner), the Provider shall promptly correct in all material respects such error, defect or breach or re-perform in all material respects such Services at the request of the Recipient and at the sole cost and expense of the Provider. The remedy set forth in this Section 6.3 shall be the sole and exclusive remedy of the Recipient for any such breach of this Agreement. Any request for re-performance in accordance with this Section 6.3 by the Recipient must be in writing and specify in reasonable detail the particular error, defect or breach, and such request must be made no more than one (1) month from the date such error, defect or breach becomes apparent or should have reasonably become apparent to the Recipient.

#### Section 6.4 **Houston Indemnity**.

(a) From and after the Distribution Date, Houston in its capacity as a Recipient and on behalf of each of the other members of the Houston Group in their capacity as Recipients, shall indemnify, defend and hold harmless Everett and the other Everett Indemnified Parties from and against any and all liabilities, losses, damages, claims, costs, expenses, interest, awards, judgments and penalties (including reasonable fees for outside counsel, accountants and other outside consultants) (collectively, "Losses") suffered or incurred by the Everett Indemnified

Parties in connection with a third-party claim against such Everett Indemnified Parties, which Losses result from any Services provided by any member of the Everett Group hereunder, except to the extent such Losses arise out of a Everett Group member's (i) breach of this Agreement, (ii) violation of Laws in providing the Services, or (iii) gross negligence or willful misconduct in providing the Services.

(b) From and after the Distribution Date, Houston, in its capacity as a Provider and on behalf of each of the other members of the Houston Group in their capacity as Providers, shall indemnify, defend and hold harmless Everett and the other Everett Indemnified Parties from and against any and all Losses suffered or incurred by the Everett Indemnified Parties in connection with a third-party claim against such Everett Indemnified Parties, which Losses result from the gross negligence or willful misconduct of Houston or any other member of the Houston Group in its performance of its obligations hereunder; provided, however, that Houston shall not be deemed to have been grossly negligent or to have engaged in willful misconduct, to the extent that Losses arise as a result of information provided by or on behalf of the Everett Indemnified Parties to Houston or any other member of the Houston Group or any actions taken or omitted to be taken by the Houston or any other member of the Houston Group upon the written direction or instruction of the Everett Indemnified Parties.

#### Section 6.5 **Everett Indemnity**.

(a) From and after the Distribution Date, Everett in its capacity as a Recipient and on behalf of each of the other members of the Everett Group in their capacity as Recipients, shall indemnify, defend and hold harmless Houston and the other Houston Indemnified Parties from and against any and all Losses suffered or incurred by the Houston Indemnified Parties in connection with a third-party claim against such Houston Indemnified Parties, which Losses result from any Services provided by any member of the Houston Group hereunder, except to the extent such Losses arise out of an Houston Group member's (i) breach of this Agreement, (ii) violation of Laws in providing the Services, or (iii) gross negligence or willful misconduct in providing the Services.

(b) From and after the Distribution Date, Everett, in its capacity as a Provider and on behalf of each of the other members of the Everett Group in their capacity as Providers, shall indemnify, defend and hold harmless Houston and the other Houston Indemnified Parties from and against any and all Losses suffered or incurred by the Houston Indemnified Parties in connection with a third-party claim against such Houston Indemnified Parties, which Losses result from the gross negligence or willful misconduct of Everett or any other member of the Everett Group in its performance of its obligations hereunder; provided, however, that Everett shall not be deemed to have been grossly negligent or to have engaged in willful misconduct, to the extent that Losses arise as a result of information provided by or on behalf of the Houston Indemnified Parties to Everett or any other member of the Everett Group or any actions taken or omitted to be taken by Everett or any other member of the Everett Group upon the written direction or instruction of the Houston Indemnified Parties.

Section 6.6 **Indemnification Procedures**. The provisions of Section 6.6 of the Separation Agreement shall govern claims for indemnification under this Agreement, provided that, for purposes of this Section 6.6, in the event of any conflict between the provisions of Section 6.6 of the Separation Agreement and this Article VI, the provisions of this Agreement shall control.

Section 6.7 **Liability for Payment Obligations**. Nothing in this Article VI shall be deemed to eliminate or limit, in any respect, Houston's or Everett's express obligation in this Agreement to pay Service Charges for Services rendered in accordance with this Agreement.

Section 6.8 **Exclusion of Other Remedies**. The provisions of Sections 6.3, 6.4 and 6.5 shall, to the maximum extent permitted by applicable Law, be the sole and exclusive remedies of the Houston Group and the Everett Group, as applicable, for any Liability, whether arising from statute, principle of common or civil law, principles of strict liability, tort, contract or otherwise under this Agreement.

Section 6.9 **Other Indemnification Obligations Unaffected**. For avoidance of doubt, this Article VI applies solely to the specific matters and activities covered by this Agreement (and not to matters specifically covered by the Separation Agreement or the other Transaction Documents).

## **ARTICLE VII TERM AND TERMINATION**

### **Section 7.1 Term and Termination**

(a) This Agreement shall be effective on the Distribution Date and shall terminate upon the earlier to occur of: (i) the last date on which either Party is obligated to provide any Service to the other Party in accordance with the terms of this Agreement and (ii) the mutual written agreement of the Parties to terminate this Agreement in its entirety.

(b) Except as otherwise specified in the applicable Service Schedule, the duration of the Services provided in each Service Schedule will be nine (9) months. If the Recipient reasonably determines that it will require a Service to continue beyond the duration identified in the applicable Service Schedule or the end of a subsequent extension period, the Recipient may request the Provider to extend such Service for three (3) months (a "Service Extension") by written notice to the Provider no less than sixty (60) days prior to end of the then-current Service duration. The Provider shall comply with each Service Extension request; provided, however, that (i) the Recipient may request no more than two (2) Service Extensions for any applicable Service, (ii) the Provider will not be in breach of its obligations under this Section 7.1(b) if it refuses to comply with the Recipient's request for a second Service Extension by providing written notice of its refusal to the Recipient within five (5) Business Days of its receipt of such request, (ii) the Provider will not be in breach of its obligations under this Section 7.1(b) if it is unable to comply with a Service Extension request through the use of commercially reasonable efforts such as where a third-party consent that is required in order for the Provider to continue to provide the applicable Services during the requested Service Extension cannot be obtained by the Provider through the use of commercially reasonable efforts, and (iii) each Service Extension is permissible under applicable Law. The Service Charge payable during any Service Extension shall increase as specified in Schedule F and the applicable Service Schedule. The Parties shall amend the terms of the applicable Service Schedule to reflect the new Service

duration within five (5) days following the Recipient's request for a Service Extension, subject to the conditions set forth in this Section 7.1(b). Each such amended Service Schedule, as agreed to in writing by the Parties, shall be deemed part of this Agreement as of the date of such agreement.

(c) (i) A Recipient may from time to time terminate this Agreement with respect to the entirety of any individual Service but not a portion thereof:

(A) for any reason or no reason, effective as of the end of a calendar month, upon providing (i) with respect to Service Schedules being terminated prior to six (6) months after the effective date thereof, at least ninety (90) days' prior written notice to the Provider, (ii) with respect to Service Schedules being terminated following six (6) months after the effective date thereof, thirty (30) days' prior written notice to the Provider, or (iii) notice in accordance with such other notice period as may be specified in the applicable Service Schedule, provided that this provision will not prevent the expiration of any Service Schedules with a duration that is less than ninety (90) days; or

(B) if the Provider of such Service has failed to perform any of its material obligations under this Agreement with respect to such Service, and such failure shall continue to exist thirty (30) days after receipt by the Provider of written notice of such failure from the Recipient.

(ii) A Provider may terminate this Agreement with respect to one or more Services, in whole but not in part, at any time upon prior written notice to the Recipient if the Recipient has failed to perform any of its material obligations under this Agreement relating to such Services, including making payment of Service Charges when due, and such failure shall continue uncured for a period of thirty (30) days after receipt by the Recipient of a written notice of such failure from the Provider.

(iii) A Provider may from time to time terminate this Agreement with respect to the entirety of any individual Service but not a portion thereof, for any reason or no reason, effective as of the end of a calendar month, upon providing sixty (60) days' prior written notice to the Recipient, but such notice may be given and such termination right may be exercised only during a second Service Extension.

(iv) In the event of a termination under Section 7.1(c)(i) or (ii), the Recipient shall pay to the Provider any breakage or termination fees and costs specified in the applicable Service Schedules ("Termination Charges"). The Provider will provide to the Recipient an invoice for the Termination Charges within thirty (30) days following the date of any termination of this Agreement under Section 7.1(c)(i) or (ii).

(v) The relevant Schedule shall be updated to remove any Service terminated under Section 7.1(c)(i) or (ii).

(vi) In the event that any Service is terminated other than at the end of a month, and the Service Charge associated with such Service is a fixed fee, such Service Charge shall be pro-rated appropriately. The Parties acknowledge that there may be interdependencies among the Services being provided under this Agreement that may not be identified on the

applicable Service Schedules and agree that, if the Provider's ability to provide a particular Service in accordance with this Agreement is materially and adversely affected by the termination of another Service in accordance with Section 7.1(c)(i)(A), then the Parties shall negotiate in good faith to amend the Service Schedule relating to such affected continuing Service.

Section 7.2 **Effect of Termination**. Upon termination of any Service pursuant to this Agreement, the Provider of the terminated Service will have no further obligation to provide the terminated Service, and the applicable Recipient will have no obligation to pay any future Service Charges relating to any such Service; provided, however, that the Recipient shall remain obligated to the relevant Provider for (a) the Service Charges owed and payable in respect of Services provided prior to the effective date of termination and (b) any applicable Termination Charges payable in accordance with Section 7.1(c)(iv). In connection with the termination of any Service, the provisions of this Agreement not relating solely to such terminated Service shall survive any such termination, and in connection with a termination of this Agreement, Article I, Article VI (including liability in respect of any indemnifiable Liabilities under this Agreement arising or occurring on or prior to the date of termination), this Section 7.2, Article VIII, Article IX, all confidentiality obligations under this Agreement and liability for all due and unpaid Service Charges and Termination Charges shall continue to survive indefinitely.

## ARTICLE VIII MISCELLANEOUS

Section 8.1 **Incorporation by Reference**. Except for Section 9.10 (Assignment; No Third-Party Beneficiaries) of the Separation Agreement, this Agreement is subject to all of the terms, conditions and limitations set forth in Article VIII (Dispute Resolution) and Article IX (Miscellaneous) of the Separation Agreement, which by this reference are hereby incorporated into and made a part of this Agreement, mutatis mutandis, as if they were set forth in their entirety herein.

Section 8.3 **Assignment; No Third-Party Beneficiaries**. This Agreement shall not be assigned by any Party without the prior written consent of the other Party, except that a Party may assign any or all of its rights and obligations under this Agreement to any member of its Group; provided, however, that no such assignment shall release such Party from any liability or obligation under this Agreement. The provisions of this Agreement and the obligations and rights under this Agreement shall be binding upon, inure to the benefit of and be enforceable by (and against) the Parties and their respective successors and permitted transferees and assigns. Except as provided in Article VI with respect to Indemnified Parties, this Agreement is for the sole benefit of the parties to this Agreement and members of their respective Groups and their permitted successors and assigns, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 8.5 **No Agency**. Nothing in this Agreement shall be deemed in any way or for any purpose to constitute any Party an agent of an unaffiliated Party in the conduct of such other Party's business. The Provider of any Service under this Agreement shall act as an independent contractor and not as the agent of the Recipient in performing such Service, maintaining control over its employees, its subcontractors and their employees and complying with all withholding of income at source requirements, whether federal, national, state, local or foreign.

Section 8.6 **Further Assurances**. Each Party hereto shall take, or cause to be taken, any and all reasonable actions, including the execution, acknowledgment, filing and delivery of any and all documents and instruments that any other Party hereto may reasonably request in order to effect the intent and purpose of this Agreement and the transactions contemplated hereby.

Section 8.7 **Audit Assistance**. Each of the Parties and their respective Subsidiaries are or may be subject to regulation and audit by Governmental Authorities (including taxing authorities), standards organizations, customers or other parties to contracts with such Parties or their respective Subsidiaries under applicable Law, standards or contract provisions. If a Governmental Authority, standards organization, customer or other Party to a contract with a Party or its Subsidiary exercises its right to examine or audit such Party's or its Subsidiary's books, records, documents or accounting practices and procedures pursuant to such applicable Law, standards or contract provisions, and such examination or audit relates to the Services, then the other Party shall provide, at the sole cost and expense of the requesting Party, all assistance reasonably requested by the Party that is subject to the examination or audit in responding to such examination or audits or requests for Information, to the extent that such assistance or Information is within the reasonable control of the cooperating Party and is related to the Services.

Section 8.8 **Title to Intellectual Property**. Except as expressly provided for under the terms of this Agreement, the Recipient acknowledges that it shall acquire no right, title or interest (including any license rights or rights of use) in any Intellectual Property which is owned or licensed by the Provider, by reason of the provision of the Services provided hereunder. The Recipient shall not remove or alter any copyright, trademark, confidentiality or other proprietary notices that appear on any Intellectual Property owned or licensed by the Provider. The Recipient shall not attempt to decompile, translate, reverse engineer or make excessive copies of any Intellectual Property owned or licensed by the Provider, and the Recipient shall promptly notify the Provider of any such attempt, regardless of whether by the Recipient or any third party, of which the Recipient becomes aware.

*[The remainder of this page is intentionally left blank.]*



IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and delivered by their respective duly authorized officers, all as of the Effective Date.

HEWLETT PACKARD ENTERPRISE COMPANY

By: \_\_\_\_\_  
Name: Rishi Varma  
Title: SVP, Deputy General Counsel

EVERETT SPINCO, INC.

By: \_\_\_\_\_  
Name: Rishi Varma  
Title: President and Secretary

*[Signature Page for Transition Services Agreement]*

**TAX MATTERS AGREEMENT**  
**BY AND AMONG**  
**HEWLETT PACKARD ENTERPRISE COMPANY,**  
**EVERETT SPINCO, INC.,**  
**AND**  
**COMPUTER SCIENCES CORPORATION**  
**[•], 201[•]**

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## TAX MATTERS AGREEMENT

This TAX MATTERS AGREEMENT (this “Agreement”) is entered into by and among Hewlett Packard Enterprise Company, a Delaware corporation (“Houston”), Everett SpinCo, Inc., a Nevada corporation and wholly owned subsidiary of Houston (“Everett,” and together with Houston, the “Companies,” and each a “Company”), and Computer Sciences Corporation, a Nevada corporation (“Chicago,” and together with Houston and Everett, the “Parties,” and each a “Party”).

### RECITALS

WHEREAS, the Board of Directors of Houston has determined that it is in the best interests of Houston and its shareholders to separate the Everett Business from the Houston Business and to divest the Everett Business in the manner contemplated by the Separation and Distribution Agreement by and between Houston and Everett, dated as of May 24, 2016, as amended by the First Amendment to the Separation and Distribution Agreement, dated as of November [●], 2016 (the “Separation and Distribution Agreement”) and the Merger Agreement;

WHEREAS, the Board of Directors of Houston and the Board of Directors of Everett have approved the transfer of the Everett Assets to Everett and its Affiliates and the assumption by Everett and its Affiliates of the Everett Liabilities, all as more fully described in the Separation and Distribution Agreement and the other Transaction Documents;

WHEREAS, Houston will distribute to the holders of the outstanding shares of common stock, \$0.01 par value, of Houston (the “Houston Common Shares”) as of the close of business on the Record Date all of the issued and outstanding shares of the common stock, \$[0.01] par value, of Everett (the “Everett Common Stock”) (a) by means of a pro rata distribution and in accordance with a distribution ratio to be determined by the Board of Directors of Houston or (b) by way of an offer to exchange shares of Everett Common Stock for outstanding Houston Common Shares (followed by a Clean-Up Spin-Off) (in each case, the “Distribution”);

WHEREAS, for U.S. federal income tax purposes, the Contribution and the Distribution, taken together, are intended to qualify as a reorganization within the meaning of Section 368(a)(1)(D) of the Code;

WHEREAS, it is the intention of the Companies that the Distribution, except for cash received in lieu of any fractional shares, will qualify as tax-free under Section 355(a) of the Code to Houston stockholders and as tax-free to Houston under Section 361(c) of the Code;

WHEREAS, pursuant to the Agreement and Plan of Merger, dated as of May 24, 2016, by and among Houston, Everett, Chicago, and Everett Merger Sub, Inc., a Delaware corporation, as amended by the First Amendment to the Agreement and Plan of Merger, dated as of November [●], 2016 (the “Merger Agreement”), immediately following the Distribution, New Everett Merger Sub, Inc., a Nevada corporation and wholly owned subsidiary of Everett, will merge with and into Chicago (the “Merger”) and all shares of common stock, \$1.00 par value per share, of Chicago will be converted into Everett Common Stock, upon the terms and subject to the conditions set forth in the Merger Agreement;



WHEREAS, in connection with the Contribution, the Distribution and the Merger, the Parties desire to set forth their agreement with respect to tax matters for taxable periods prior to and including the Distribution Date.

NOW, THEREFORE, in consideration of the foregoing and the terms, conditions, covenants and provisions of this Agreement, each of the Parties mutually covenants and agrees as follows:

**Definition of Terms.** For purposes of this Agreement (including the recitals hereof), the following terms have the following meanings:

“10-Year Houston UK Tax NOLs Utilization Amount” means the excess, if any, of the Five-Year Revised Houston UK Tax NOLs Amount over the Combined 10-Year Look UK Tax NOLs Amount.

“10-Year Houston UK Tax NOLs Utilization Amount Payment” means the 10-Year Houston UK Tax NOLs Utilization Amount multiplied by the average United Kingdom statutory corporate Income Tax rate over the five-year period beginning on the first day after the close of the fifth (5th) full taxable year for United Kingdom Income Tax purposes following the Distribution Date.

“Active Business” means the business conducted by each of the Active Business Entities (as defined herein) as of the Distribution Date, other than the business(es) set forth on Schedule 1.

“Active Business Entities” means [            ], along with their successors or assigns.

“Adjusted Houston UK Tax NOLs Amount” means the Closing Houston UK Tax NOLs Amount minus the Houston UK Tax NOLs Amount Adjustment.

“Affiliate” means any entity that is directly or indirectly Controlled by either the person in question or an Affiliate of such person. As used in this paragraph, “Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through ownership of voting securities, by contract or otherwise. The term Affiliate shall refer to Affiliates of a person as determined immediately after the Merger.

“Agreement” means this Tax Matters Agreement.

“Assets” has the meaning set forth in the Separation and Distribution Agreement.

“Benefited Party” shall have the meaning set forth in Section 3.06(a).

“Business Day” means any day other than a Saturday, Sunday or a day on which banks are required to be closed in New York, New York.

“Capital Stock” means all classes or series of capital stock of a Company, including (i) common stock, (ii) all options, warrants and other rights to acquire such capital stock and (iii) all instruments properly treated as stock in the Company for U.S. federal income tax purposes.

“Chicago” has the meaning set forth in the first sentence of this Agreement.

“Chicago UK Deferred Deductions” means the aggregate deductions arising from contributions made to pension plans by Chicago or its Affiliates in a Pre-Distribution Period, to the extent not yet available as deductions as of the Distribution Date, in each case as determined for United Kingdom Income Tax purposes.

“Claiming Company” shall have the meaning set forth in Section 3.06(a) of this Agreement.

“Clean-Up Spin-Off” has the meaning set forth in the Separation and Distribution Agreement.

“Closing Chicago UK Tax NOLs Amount” means the Chicago UK Deferred Deductions and the aggregate net operating losses for United Kingdom Income Tax purposes as of the Distribution Date of Chicago or any of its subsidiaries that will potentially be available for utilization by Chicago or any of its subsidiaries in a Post-Distribution Tax Period, reduced or increased, as necessary, to reflect any adjustments thereto by a Final Determination by the relevant Tax Authority, computed, for the avoidance of doubt, pursuant to the closing of the books method set forth in Section 2.03(b).

“Closing Houston UK Tax NOLs Amount” means the Houston UK Deferred Deductions and the aggregate net operating losses for United Kingdom Income Tax purposes as of the Distribution Date allocable to Everett or the Everett Group (excluding Chicago and its Affiliates) that will potentially be available for utilization by Everett or the Everett Group in a Post-Distribution Tax Period, reduced or increased, as necessary, to reflect any adjustments thereto by a Final Determination by the relevant Tax Authority, computed, for the avoidance of doubt, pursuant to the closing of the books method set forth in Section 2.03(b).

“Code” means the U.S. Internal Revenue Code of 1986, as amended.

“Combined 10-Year Look UK Tax NOLs Amount” means the Chicago UK Deferred Deductions and the Houston UK Deferred Deductions not yet utilized and the aggregate net operating losses for United Kingdom Income Tax purposes each as of the close of the tenth (10th) full taxable year for United Kingdom Income Tax purposes following the Distribution Date of Chicago, Everett, the Everett Group and/or any of their respective subsidiaries that will potentially be available for utilization by any such entity.

“Combined Closing UK Tax NOLs Amount” means the sum of the Closing Houston UK Tax NOLs Amount and the Closing Chicago UK Tax NOLs Amount.

“Combined Five-Year Look UK Tax NOLs Amount” means the Chicago UK Deferred Deductions and the Houston UK Deferred Deductions not yet utilized and the aggregate net operating losses for United Kingdom Income Tax purposes each as of the close of the fifth (5th) full taxable year for United Kingdom Income Tax purposes following the Distribution Date of Chicago, Everett, the Everett Group and/or any of their respective subsidiaries that will potentially be available for utilization by any such entity.

“Companies” and “Company” have the meanings set forth in the first sentence of this Agreement.

“Contribution” has the meaning set forth in the Separation and Distribution Agreement.

“Controlling Company” shall have the meaning set forth in Section 10.02(b) of this Agreement.

“Correlative Detriment” shall have the meaning set forth in Section 3.06(a) of this Agreement.

“Dispute” shall have the meaning set forth in Section 14.01 of this Agreement.

“Distribution” has the meaning set forth in the Recitals.

“Distribution Date” has the meaning set forth in the Separation and Distribution Agreement.

“Distribution Taxes” means any and all Taxes (a) required to be paid by or imposed on a Company or any of its Affiliates resulting from, or directly arising in connection with, the failure of the Contribution and Distribution, taken together, to qualify as a reorganization described in Sections 355(a) and 368(a)(1)(D) of the Code (or the failure to qualify under or the application of corresponding provisions of the Tax Laws of other jurisdictions); (b) required to be paid by or imposed on a Company or any of its Affiliates resulting from, or directly arising in connection with, the failure of the stock distributed in the Distribution or the Subsidiary Stock Exchange to constitute “qualified property” for purposes of Sections 355(d), 355(e) and Section 361(c) of the Code (or any corresponding provision of the Tax Laws of other jurisdictions); or (c) required to be paid by or imposed on a Company or any of its Affiliates resulting from the failure of any Separation Transaction to qualify for the intended tax treatment as set forth in the Tax Opinions/Rulings (limited, in the case of those Separation Transactions intended to qualify for such treatment under foreign Law, to the extent set forth on Schedule 2).

“Distribution Tax-Related Losses” means (a) all Distribution Taxes imposed pursuant to any Final Determination and (b) all reasonable

accounting, legal and other professional fees and court costs incurred in connection with such Distribution Taxes, in each case, resulting from the failure of the Contribution and the Distribution to have Tax-Free Status or from the failure of a Separation Transaction to qualify for the intended tax treatment as set forth in the Tax Opinions/Rulings (limited, in the case of those Separation Transactions intended to qualify for such treatment under foreign Law, to the extent set forth on Schedule 2).

“Due Date” means the date (taking into account all valid extensions) upon which a Tax Return is required to be filed with or Taxes are required to be paid to a Tax Authority, whichever is applicable.

“Effective Time” has the meaning set forth in the Merger Agreement.

“EDS Pension Plan” means the Electronic Data Systems Retirement Plan.

“Employee Matters Agreement” means the Employee Matters Agreement by and between Houston and Everett dated as of [●].

“Employment Tax” means any Tax the liability or responsibility for which is allocated pursuant to the Employee Matters Agreement.

“Everett” has the meaning set forth in the first sentence of this Agreement.

“Everett Adjustment” means any proposed adjustment by a Tax Authority or claim for refund asserted in a Tax Contest to the extent Everett would be solely responsible for any resulting Tax or solely entitled to receive any resulting Tax Benefit under this Agreement.

“Everett Business” has the meaning set forth in the Separation and Distribution Agreement.

“Everett Common Stock” has the meaning set forth in the Recitals.

“Everett Excluded Taxes” means (a) any Transaction Taxes and (b) Taxes caused by a Houston Tainting Act, in each case except to the extent attributable to an Everett Tainting Act.

“Everett Full Taxpayer” means the assumption that each relevant member of the Everett Group (a) is subject to the highest marginal regular statutory Income Tax rate, (b) in the case of a Tax Benefit, has sufficient taxable income to permit the realization or receipt of the relevant Tax Benefit at the earliest possible time, (c) in the case of an adjustment, will not utilize any Tax Attribute other than a Tax Attribute arising from the adjustment at issue, and (d) is not subject to the alternative minimum tax.

“Everett Group” means Everett and its Affiliates, as determined immediately after the Merger.

“Everett Single Business Tax Return” means any Tax Return including any consolidated, combined or unitary Tax Return that includes assets or activities relating only to the Everett Business.

“Everett Tainting Act” means (a) any action (or the failure to take any action) within its control by Everett or any member of the Everett Group (including entering into any agreement, understanding or arrangement or any negotiations with respect to any transaction or series of transactions), (b) any event (or series of events) involving the capital stock of Everett, any assets of Everett or any assets of any member of the Everett Group, or (c) any breach by Everett or any member of the Everett Group of any representation, warranty or covenant made by them in this Agreement that, in each case, would affect the Tax-Free Status or otherwise cause a Separation Transaction to fail to qualify for its intended treatment as set forth in the Tax Opinions/Rulings (limited, in the case of those Separation Transactions intended to qualify for such treatment under foreign Law, to the extent set forth on Schedule 2); provided, however, that the term “Everett Tainting Act” shall not include any action relating to the business(es) set forth on Schedule 1 or expressly required or permitted by the Separation and Distribution Agreement, the Merger Agreement or any Transaction Documents or undertaken pursuant to, or prior to, the Distribution.

“Everett Taxes” means, without duplication, (a) any Taxes for any Post-Distribution Tax Period of (i) Houston or any Subsidiary or former Subsidiary of Houston or other member of the Houston Group attributable to assets or activities of the Everett Business, as determined pursuant to Section 2.03 or (ii) Everett or a member of the Everett Group, (b) any Taxes attributable to an Everett Tainting Act, (c) any Taxes attributable to an Extraordinary Transaction effected after the Distribution on the Distribution Date by Everett or a member of the Everett Group, and (d) any Taxes taken into account in computing amounts payable pursuant to Section 2.11 (Working Capital Adjustment) of the Separation and Distribution Agreement, including, in the case of each of clauses (a) through (c), any Taxes resulting from an Adjustment. For the avoidance of doubt, Everett Taxes shall not include any Everett Excluded Taxes.

“Extraordinary Transaction” means any action that is not in the ordinary course of business, but shall not include any action expressly required or permitted by the Separation and Distribution Agreement, the Merger Agreement or any Transaction Document or that is undertaken pursuant to the Contribution or the Distribution.

“Fifty-Percent or Greater Interest” has the meaning ascribed to such term for purposes of Sections 355(d) and (e) of the Code.

“Five-Year Houston UK Tax NOLs Utilization Amount” means the excess, if any, of the Adjusted Houston UK Tax NOLs Amount over the Combined Five-Year Look UK Tax NOLs Amount.

“Five-Year Houston UK Tax NOLs Utilization Amount Payment” means the Five-Year Houston UK Tax

NOLs Utilization Amount multiplied by the average United Kingdom statutory corporate Income Tax rate over the five-year period ending on the close of the fifth (5th) full taxable year for United Kingdom Income Tax purposes following the Distribution Date.

“Five-Year Revised Houston UK Tax NOLs Amount” means the Adjusted Houston UK Tax NOLs Amount minus the Five-Year Houston UK Tax NOLs Utilization Amount, if any.

“Final Determination” means the final resolution of liability for any Tax, which resolution may be for a specific issue or adjustment or for a taxable period, (a) by IRS Form 870 or 870-AD (or any successor forms thereto), on the date of acceptance by or on behalf of the taxpayer, or by a comparable form under the laws of a State, local, or foreign taxing jurisdiction, except that a Form 870 or 870-AD or comparable form shall not constitute a Final Determination to the extent that it reserves (whether by its terms or by operation of law) the right of the taxpayer to file a claim for refund or the right of the Tax Authority to assert a further deficiency in respect of such issue or adjustment or for such taxable period (as the case may be); (b) by a decision, judgment, decree, or other order by a court of competent jurisdiction, which has become final and unappealable; (c) by a closing agreement or accepted offer in compromise under Sections 7121 or 7122 of the Code, or a comparable agreement under the laws of a State, local, or foreign taxing jurisdiction; (d) by any allowance of a refund or credit in respect of an overpayment of Tax, but only after the expiration of all periods during which such refund may be recovered (including by way of offset) by the jurisdiction imposing such Tax; (e) by a final settlement resulting from a treaty-based competent authority determination; or (f) by any other final disposition, including by reason of the expiration of the applicable statute of limitations or by mutual agreement of the Companies.

“Group” means the Houston Group or the Everett Group, or both, as the context requires.

“Houston” has the meaning set forth in the first sentence of this Agreement.

“Houston Adjustment” means any proposed adjustment by a Tax Authority or claim for refund asserted in a Tax Contest to the extent Houston would be solely responsible for any resulting Tax or solely entitled to receive any resulting Tax Benefit under this Agreement.

“Houston Business” has the meaning provided in the Separation and Distribution Agreement.

“Houston Common Shares” has the meaning set forth in the Recitals.

“Houston Consolidated Affiliate Return” means any U.S. federal consolidated Income Tax Return filed by a member of the Everett Group (excluding Chicago and its Affiliates) as the “common parent” of an “affiliated group” (in each case, within the meaning of Section 1504 of the Code).

“Houston Consolidated Return” means any U.S. federal consolidated Income Tax Return required to be filed by Houston as the “common parent” of an “affiliated group” (in each case, within the meaning of Section 1504 of the Code).

“Houston Consolidated Taxes” means any U.S. federal Income Taxes attributable to any Houston Consolidated Return or any Houston Consolidated Affiliate Return.

“Houston Full Taxpayer” means the assumption that each relevant member of the Houston Group (a) is subject to the highest marginal regular statutory Income Tax rate, (b) in the case of a Tax Benefit, has sufficient taxable income to permit the realization or receipt of the relevant Tax Benefit at the earliest possible time, (c) in the case of an adjustment, will not utilize any Tax Attribute other than a Tax Attribute arising from the adjustment at issue, and (d) is not subject to the alternative minimum tax.

“Houston Group” means Houston and its Affiliates, excluding any entity that is a member of the Everett Group.

“Houston Single Business Tax Return” means any Tax Return including any consolidated, combined or unitary Tax Return that includes assets or activities relating only to the Houston Business.

“Houston Tainting Act” means (a) any action (or the failure to take any action) within its control by Houston or any member of the Houston Group (including entering into any agreement, understanding or arrangement or any negotiations with respect to any transaction or series of transactions) that, (b) any event (or series of events) involving the capital stock of Houston, any assets of Houston or any assets of any member of the Houston Group that, or (c) any breach by Houston or any member of the Houston Group of any representation, warranty or covenant made by them in this Agreement that, in each case, would affect the Tax-Free Status or otherwise cause a Separation Transaction to fail to qualify for its intended treatment as set forth in the Tax Opinions/Rulings; provided, however, the term “Houston Tainting Act” shall not include any action expressly required or permitted by the Separation and Distribution Agreement, the Merger Agreement or any Transaction Documents or undertaken pursuant to the Distribution.

“Houston UK Deferred Deductions” means the aggregate deductions arising from contributions made to pension plans by Houston and its Affiliates or members of the Everett Group (excluding Chicago and its Affiliates) in a Pre-Distribution Period, to the extent not yet available as deductions as of the Distribution Date, in each case as determined for United Kingdom Income Tax purposes.

“Houston UK Tax NOLs Amount Adjustment” means fifty percent (50%) of the Combined Closing UK NOLs Amount.

“Houston Taxes” means, without duplication, (a) any Houston Consolidated Taxes, (b) any Taxes imposed (i) on gain recognized under Treasury Regulations Section 1.1502-19(b) in connection with an excess loss account with respect to the stock of Everett or any member of the Everett Group (excluding Chicago and its Affiliates) at the time of

the Distribution, (ii) on net deferred gains taken into account under Treasury Regulations Section 1.1502-13(d) with respect to deferred intercompany transactions between an Everett Group member and a Houston Group member and (iii) under similar or corresponding provisions of State, local or non-U.S. Law, (c) any Taxes imposed on Everett or any member of the Everett Group (excluding Chicago and its Affiliates) under Treasury Regulations Section 1.1502-6 (or any similar provision of other Law) as a result of Everett or any such member being or having been included as part of a Houston Consolidated Return, any other consolidated U.S. federal Income Tax Return, or any other consolidated, combined, unitary or similar Tax Return under any other provision of Law, (d) any Taxes not described in clause (a), (b) or (c) (including any Taxes resulting from an Adjustment) of Houston or Everett or any Subsidiary or former Subsidiary of Houston or Everett (excluding Chicago and its Affiliates) or other member of the Houston Group or Everett Group (excluding Chicago and its Affiliates) for any Pre-Distribution Period and, with respect to a Straddle Period, the portion of such period ending at the end of the day on the Distribution Date (determined in accordance with Section 2.03(b)), (e) any Taxes attributable to a Houston Tainting Act, (f) any Taxes attributable to the Separation Transactions, (g) any Transaction Taxes, and (h) any Transfer Taxes, in each case other than Everett Taxes.

“Income Taxes” means:

- (a) all Taxes based upon, measured by, or calculated with respect to (i) net income or profits (including, any capital gains, minimum tax or any Tax on items of tax preference, but not including sales, use, real, or personal property, gross or net receipts, value added, excise, leasing, transfer or similar Taxes), or (ii) multiple bases (including, corporate franchise, doing business and occupation Taxes) if one or more bases upon which such Tax is determined is described in clause (a)(i) above; and
- (b) any related interest and any penalties, additions to such Tax or additional amounts imposed with respect thereto by any Tax Authority.

“Income Tax Returns” means all Tax Returns that relate to Income Taxes.

“Indemnatee” shall have the meaning set forth in Section 13.03 of this Agreement.

“Indemnitor” shall have the meaning set forth in Section 13.03 of this Agreement.

“IRS” means the United States Internal Revenue Service.

“Joint Adjustment” means any proposed adjustment by a Tax Authority or claim for refund asserted in a Tax Contest which is neither an Everett Adjustment nor a Houston Adjustment.

“Law” means any U.S. or non-U.S. federal, national, supranational, state, provincial, local or similar statute, law, ordinance, regulation, rule, code, administrative pronouncement, order, requirement or rule of law (including common law), or any income tax treaty.



“Liabilities” has the meaning set forth in the Separation and Distribution Agreement.

“Merger” has the meaning set forth in the Recitals.

“Merger Agreement” has the meaning set forth in the Recitals.

“Mixed Business Tax Return” means any Tax Return, including any consolidated, combined or unitary Tax Return, that reflects or reports Taxes that relate to at least one asset or activity that is part of the Houston Business, on the one hand, and at least one asset or activity that is part of the Everett Business, on the other hand.

“Non-Controlling Company” shall have the meaning set forth in Section 10.02(b) of this Agreement.

“Parties” and “Party” have the meanings set forth in the first sentence of this Agreement.

“Past Practices” shall have the meaning set forth in Section 3.03(a) of this Agreement.

“Payment Date” means (i) with respect to any Houston federal consolidated Income Tax Return, the due date for any required installment of estimated taxes determined under Section 6655 of the Code, the due date (determined without regard to extensions) for filing the return determined under Section 6072 of the Code, and the date the return is filed, and (ii) with respect to any other Tax Return, the corresponding dates determined under the applicable Tax Law.

“Payor” shall have the meaning set forth in Section 4.02(a) of this Agreement.

“Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or any department, agency or political subdivision thereof, without regard to whether any entity is treated as disregarded for U.S. federal income tax purposes.

“Post-Distribution Period” means any Tax Period beginning after the Distribution Date, and, in the case of any Straddle Period, the portion of such Straddle Period beginning the day after the Distribution Date.

“Post-Distribution Ruling” shall have the meaning set forth in Section 7.01 of this Agreement.

“Pre-Distribution Period” means any Tax Period ending on or before the Distribution Date, and, in the case of any Straddle Period, the portion of such Straddle Period ending on the Distribution Date.

“Preliminary Tax Advisor” shall have the meaning set forth in Section 14.03 of this Agreement.

“Prime Rate” has the meaning set forth in the Separation and Distribution Agreement.

“Privilege” means any privilege that may be asserted under applicable Law, including, any privilege arising under or relating to the attorney-client relationship (including the attorney-client and work product privileges), the accountant-client privilege and any privilege relating to internal evaluation processes.

“Proposed Acquisition Transaction” means a transaction or series of transactions (or any agreement, understanding or arrangement, within the meaning of Section 355(e) of the Code and Treasury Regulation Section 1.355-7, or any other regulations promulgated thereunder, to enter into a transaction or series of transactions), whether such transaction is supported by Company management or shareholders, is a hostile acquisition, or otherwise, as a result of which a Company would merge or consolidate with any other Person or as a result of which any Person or any group of related Persons would (directly or indirectly) acquire, or have the right to acquire, from a Company and/or one or more holders of outstanding shares of Capital Stock, a number of shares of Capital Stock that would, when combined with any other changes in ownership of Capital Stock pertinent for purposes of Section 355(e) of the Code, comprise forty percent (40%) or more of (A) the value of all outstanding shares of stock of the Company as of the date of such transaction, or in the case of a series of transactions, the date of the last transaction of such series, or (B) the total combined voting power of all outstanding shares of voting stock of the Company as of the date of such transaction, or in the case of a series of transactions, the date of the last transaction of such series. Notwithstanding the foregoing, a Proposed Acquisition Transaction shall not include (A) the adoption by a Company of a shareholder rights plan or (B) issuances by a Company that satisfy Safe Harbor VIII (relating to acquisitions in connection with a person’s performance of services) or Safe Harbor IX (relating to acquisitions by a retirement plan of an employer) of Treasury Regulation Section 1.355-7(d). For purposes of determining whether a transaction constitutes an indirect acquisition, any recapitalization resulting in a shift of voting power or any redemption of shares of stock shall be treated as an indirect acquisition of shares of stock by the non-exchanging shareholders. This definition and the application thereof are intended to monitor compliance with Section 355(e) of the Code and shall be interpreted accordingly. Any clarification of, or change in, the statute or regulations promulgated under Section 355(e) of the Code shall be incorporated in this definition and its interpretation. For the avoidance of doubt, the Merger shall not constitute a Proposed Acquisition Transaction.

“Record Date” has the meaning set forth in the Separation and Distribution Agreement.

“Refund” means any refund (or credit in lieu thereof) of Taxes (including any overpayment of Taxes that can be refunded or, alternatively, applied to other Taxes payable), including any interest paid on or with respect to such refund of Taxes; provided, however, the amount of the refund of Taxes shall be net of any Taxes imposed by any Tax Authority on the receipt of the refund.

“Required Company” shall have the meaning set forth in Section 4.02(a) of this Agreement.

“Responsible Company” means, with respect to any Tax Return, the Company having responsibility for preparing and filing such Tax Return under this Agreement.

“Restricted Period” means the period beginning at the Effective Time and ending on the two (2)-year anniversary of the day after the Distribution Date.

“Retention Date” shall have the meaning set forth in Section 9.01 of this Agreement.

“Ruling Request” means any letter filed by Houston with the IRS requesting a ruling regarding certain tax consequences of the Separation Transactions (including all attachments, exhibits, and other materials submitted with such ruling request letter) and any amendment or supplement to such ruling request letter.

“Separation and Distribution Agreement” has the meaning set forth in in the Recitals.

“Separation Plan” means the step plan attached hereto as Exhibit A.

“Separation Transactions” means those transactions undertaken by the Companies and their Affiliates pursuant to the Separation Plan to separate ownership of the Everett Business from ownership of the Houston Business.

“Single Business Return” means any Tax Return including any consolidated, combined or unitary Tax Return that reflects or reports Tax Items relating only to the Houston Business, on the one hand, or the Everett Business, on the other (but not both).

“Straddle Period” means any Tax Period that begins on or before and ends after the Distribution Date.

“Tainting Act” ” means a Houston Tainting Act or an Everett Tainting Act.

“Tax” or “Taxes” means (a) any income, gross income, gross receipts, profits, capital stock, franchise, withholding, payroll, social security, workers compensation, unemployment, disability, property, ad valorem, stamp, excise, severance, occupation, service, sales, use, license, lease, transfer, import, export, value added, alternative minimum, estimated or other tax (including any fee, assessment, or other charge in the nature of or in lieu of any tax) imposed by any governmental entity or political subdivision thereof, and any interest, penalties, additions to tax, or additional amounts in respect of the foregoing; provided, however, the term “Tax” or “Taxes” shall not include customs duties, and (b) all liabilities in respect of any items described in clause (a) payable by

reason of assumption, transferee or successor liability, operation of Law or Treasury Regulation Section 1.1502-6(a) (or any predecessor or successor thereof or any analogous or similar provision under Law).

“Tax Advisor” means a tax counsel or accountant of recognized standing in the relevant jurisdiction.

“Tax Attribute” means a net operating loss, net capital loss, investment credit, foreign tax credit, excess charitable contribution, general business credit or any other Tax Item that could affect a Tax.

“Tax Authority” means, with respect to any Tax, the governmental entity or political subdivision thereof that imposes such Tax and the agency (if any) charged with the collection of such Tax for such entity or subdivision.

“Tax Benefit” means any refund, credit, or other reduction in otherwise required Tax payments (determined on a “with and without” basis) that is actually received or recognized.

“Tax Contest” means an audit, review, examination, or any other administrative or judicial proceeding with the purpose or effect of redetermining Taxes (including any administrative or judicial review of any claim for refund).

“Tax-Free Status” means the qualification of the Contribution and Distribution, taken together, (a) as a reorganization described in Sections 355(a) and 368(a)(1)(D) of the Code, (b) as a transaction in which the stock distributed thereby is “qualified property” for purposes of Sections 355(d), 355(e) and 361(c) of the Code and (c) as a transaction in which Houston, Everett and the shareholders of Houston recognize no income or gain for U.S. federal income tax purposes pursuant to Sections 355 and 361 of the Code, other than, in the case of Houston and Everett, intercompany items or excess loss accounts taken into account pursuant to the Treasury Regulations promulgated pursuant to Section 1502 of the Code.

“Tax Item” means any item of income, gain, loss, deduction, expense, or credit, or other attribute that may have the effect of increasing or decreasing any Tax.

“Tax Law” means the law of any governmental entity or political subdivision thereof relating to any Tax.

“Tax Opinions/Rulings” means formal written opinions or similar memoranda of a Tax Advisor and/or the rulings by the IRS or other Tax Authority deliverable to Houston (and made available to Everett) in connection with the Contribution and the Distribution or otherwise with respect to the Separation Transactions, limited in the case of those Separation Transactions intended to qualify as tax-free or tax-deferred, in whole or in part, under foreign Law to those Separation Transactions set forth on Schedule 2.

“Tax Period” means, with respect to any Tax, the period for which the Tax is reported as provided under the Code or other applicable Tax Law.

“Tax Records” means any Tax Returns, Tax Return work papers, documentation relating to any Tax Contests, and any other books of account or records (whether or not in written, electronic or other tangible or intangible forms and whether or not stored on electronic or any other medium) required to be maintained under the Code or other applicable Tax Laws or under any record retention agreement with any Tax Authority.

“Tax-Related Losses” means (i) all federal, state and local Taxes (including interest and penalties thereon) imposed pursuant to any settlement, Final Determination, judgment or otherwise, and (ii) all reasonable accounting, legal and other professional fees, and court costs incurred in connection with such Taxes; in each case, resulting from the failure of the Contribution and the Distribution to have Tax-Free Status or from the failure of a Separation Transaction to qualify for the intended treatment as set forth in the Tax Opinions/Rulings (limited, in the case of those Separation Transactions intended to qualify for such treatment under foreign Law, to the extent set forth on Schedule 2).

“Tax Return” means any report of Taxes due, any claim for refund of Taxes paid, any information return with respect to Taxes, or any other similar report, statement, declaration, or document required to be filed under the Code or other Tax Law, including any attachments, exhibits, or other materials submitted with any of the foregoing, and including any amendments or supplements to any of the foregoing.

“Transaction Documents” has the meaning set forth in the Separation and Distribution Agreement.

“Transaction Taxes” mean any Taxes other than Distribution Taxes (a) imposed on or by reason of the Contribution and Distribution, other than any such Taxes caused by an Everett Tainting Act, or (b) payable by reason of the distribution of cash or any other property from Everett to Houston.

“Transfer Pricing Adjustment” means any proposed or actual allocation by a Tax Authority of any Tax Item between or among any member of the Houston Group and any member of the Everett Group with respect to any Pre-Distribution Period.

“Transfer Tax” means any sales, use, privilege, transfer (including real property transfer), intangible, recordation, registration, documentary, stamp, duty or similar Tax imposed with respect to the Separation Transactions.

“Treasury Regulations” means the regulations promulgated from time to time under the Code as in effect for the relevant Tax Period.

“TSA” means the Transition Services Agreement by and between Houston and Everett dated as of [●].

“Unqualified Tax Opinion” means an unqualified “will” opinion of a Tax Advisor, on which the Companies may rely to the effect that a transaction will not affect the Tax-Free Status or otherwise cause any Separation Transaction to fail to qualify for the intended tax treatment as set forth in the Tax Opinions/Rulings. Any such opinion must assume that the Contribution and Distribution would have qualified for Tax-Free Status if the transaction in question did not occur.

## **Allocation of Pre-Distribution Period Tax Liabilities.**

### *General Rule.*

(a) *Houston Liability.* Houston shall be liable for, and shall indemnify and hold harmless the Everett Group from and against any liability for Houston Taxes.

(b) *Everett Liability.* Everett shall be liable for, and shall indemnify and hold harmless the Houston Group from and against any liability for Everett Taxes.

*Mixed Business and Single Business Tax Return.* Except as provided in Section 2.04, liability for Pre-Distribution Period Taxes relating to Mixed Business Tax Returns and Single Business Tax Returns shall be allocated as follows:

(a) *Mixed Business Tax Returns.* With respect to any Mixed Business Tax Return, Houston shall be responsible for any and all Pre-Distribution Period Taxes due with respect to or required to be reported on any such Tax Return (including any increase in such Tax as a result of a Final Determination) which Taxes are not Everett Taxes.

(b) *Single Business Tax Returns.* Houston shall be responsible for any and all Pre-Distribution Period Taxes due with respect to or required to be reported on any Single Business Tax Return (including any increase in such Tax as a result of a Final Determination) for all Tax Periods which Taxes are not Everett Taxes.

### *Attribution of Taxes.*

(a) *General.* For all purposes of this Agreement, a Tax and any Tax Items shall be considered attributable to the Everett Business on the one hand and the Houston Business on the other (but not both) to the extent that such Tax and/or Tax Item would result if such Tax Return were prepared on a separate basis taking into account only the operations and assets of the Everett Business on the one hand and only the operations and assets of the Houston Business on the other hand (but not both), as applicable. With respect to U.S. federal Income Taxes, such amount shall be as determined by Houston in good faith on a separate pro forma Everett Group consolidated return prepared: (i) including only Tax Items of members of the Everett Group that were included in the relevant Houston Consolidated Return; (ii) using all elections, accounting methods and conventions used on such Houston Consolidated Return; and (iii) applying the highest statutory marginal corporate income Tax rate in effect for such taxable period. The amount of other Income Taxes attributable to the Everett Business shall be determined by Houston using similar principles. With respect to any other Tax Items, Houston shall determine in good faith and otherwise in accordance with this Agreement which Tax Items are properly attributable to assets or activities of the Everett Business (and in the case of a Tax Item that is properly attributable to both the Everett Business and the Houston Business, the allocation of such Tax Item between the Everett Business and the Houston Business).

*(b) Straddle Period Tax Allocation.* Houston and Everett shall take all actions necessary or appropriate to close the taxable year of Everett and each member of the Everett Group (excluding Chicago and its Affiliates) for all Tax purposes as of the close of the Distribution Date to the extent permissible or required under applicable Law. If applicable Law does not require or permit Everett or any such member of the Everett Group, as the case may be, to close its taxable year on the Distribution Date, then the allocation of income or deductions required to determine any Taxes or other amounts attributable to the portion of the Straddle Period ending on, or beginning after, the Distribution Date shall be made by means of a closing of the books and records of Everett or such member of the Everett Group as of the close of the Distribution Date; provided that exemptions, allowances or deductions that are calculated on an annual or periodic basis shall be allocated between such portions in proportion to the number of days in each such portion; provided, further, that real property and other property or similar periodic Taxes shall be apportioned on a per diem basis.

*Certain Transfer and Other Taxes.*

*(a) Houston Liability.* Houston shall be liable for, and shall indemnify and hold harmless Everett from and against any liability for:

(i) One Hundred percent (100%) of any Transfer Tax;

(ii) Any Tax resulting from a breach by Houston of any covenant in this Agreement, the Separation and Distribution Agreement or any Transaction Document; and

(iii) Any Tax-Related Losses for which Houston is responsible pursuant to Section 7.02 of this Agreement.

*(b) Everett Liability.* Everett shall be liable for, and shall indemnify and hold harmless the Houston Group from and against any liability for:

(i) Any Tax resulting from a breach by Everett of any covenant in this Agreement, the Separation and Distribution Agreement or any Transaction Document; and

(ii) Any Tax-Related Losses for which Everett is responsible pursuant to Section 7.02 of this Agreement.

**Preparation and Filing of Tax Returns.**

*General.* Tax Returns shall be prepared and filed when due (including extensions) in accordance with this Section 3. The Companies shall provide, and shall cause their Affiliates to provide, assistance and cooperation to one another in accordance with Section 8 with respect to the preparation and filing of Tax Returns, including providing information required to be provided in Section 8.

*Responsibility for Preparation and Filing and Payment of Taxes Shown Due.*

*(a) Houston Consolidated Return.* Houston shall prepare and file all Houston Consolidated Returns for a Pre-Distribution Period or a Straddle Period. Notwithstanding anything to the contrary in this Agreement, for all Tax purposes, the Parties shall report any Extraordinary Transactions that are caused or permitted by the Everett Group on the Distribution Date after the Effective Time as occurring on the day after the Distribution Date pursuant to Treasury Regulation Section 1.1502-76(b)(1)(ii)(B) or any similar or analogous provision of State, local or foreign Law.

*(b) Mixed Business Tax Returns*

(i) Houston shall prepare and file (or cause to be prepared and filed) any Mixed Business Tax Return for a Pre-Distribution Period or a Straddle Period required to be filed by the Houston Group.

(ii) Everett shall prepare and file (or cause to be prepared and filed) any Mixed Business Tax Return for a Pre-Distribution Period or a Straddle Period required to be filed by the Everett Group after the Distribution Date.

*(c) Single Business Tax Returns.*

(i) Houston shall prepare and file (or cause to be prepared and filed) any Single Business Tax Return for a Pre-Distribution Period or a Straddle Period required to be filed by the Houston Group.

(ii) Everett shall prepare and file (or cause to be prepared and filed) any Single Business Tax Return for a Pre-Distribution Period or a Straddle Period required to be filed by the Everett Group after the Distribution Date.

*(d)* Notwithstanding anything to the contrary in this Section 3, (i) the portion of any Tax Return that relates to any Taxes attributable to a Houston Tainting Act shall be prepared by the Responsible Company in the manner determined by Houston in its sole discretion, and (ii) the portion of any Tax Return that relates to any Taxes attributable to an Everett Tainting Act shall be prepared by the Responsible Company in the manner determined by Everett in its sole discretion. For the avoidance of doubt, the foregoing sentence shall apply only to the extent that the Parties shall be aware of the Houston Tainting Act or the Everett Tainting Act at the time such Tax Return is prepared.

*Tax Reporting Practices.*

*(a) General Rule.* With respect to any Tax Return that either Company has the obligation and right to prepare and file, or cause to be prepared and filed, under Section 3.02, for any Pre-Distribution Period or any Straddle Period (or Post-Distribution Period to the extent items reported on such Tax Return might reasonably be expected to affect items as reported on any Tax Return for any Pre-Distribution Period or any Straddle Period), such Tax Return shall be prepared in accordance with past practices, accounting methods, elections or conventions ("Past Practices"), including, for example, the methodology historically adopted by the Companies for the accrual of non-U.S. Taxes for purposes of computing any foreign tax credit for U.S. tax purposes, used with respect to the Tax Returns in question (unless there is no



reasonable basis for the use of such Past Practices), and to the extent any items are not covered by Past Practices (or in the event that there is no reasonable basis for the use of such Past Practices), in accordance with reasonable Tax accounting practices selected by the Company preparing and filing the Tax Return.

*(b) Reporting of Separation Transactions.* The Tax treatment reported on any Tax Return of the Separation Transactions shall be consistent with the treatment thereof in the Ruling Requests and the Tax Opinions/Rulings (limited, in the case of those Separation Transactions intended to qualify for such treatment under foreign Law, to the extent set forth on Schedule 2), unless there is no reasonable basis for such Tax treatment. The Tax treatment of the Separation Transactions reported on any Tax Return for which Everett is the Responsible Company shall be consistent with that on any Tax Return filed or to be filed by Houston or any member of the Houston Group or caused or to be caused to be filed by Houston, unless there is no reasonable basis for such Tax treatment. In the event that a Company shall determine that there is no reasonable basis for the Tax treatment described in either of the preceding two sentences, such Company shall notify the other Company twenty (20) Business Days prior to filing the relevant Tax Return and the Companies shall attempt in good faith to agree on the manner in which the relevant portion of the Separation Transactions shall be reported.

*Consolidated or Combined Tax Returns.*

*(a)* Everett will elect and join and will cause its Affiliates to elect and join, in filing any consolidated, combined or unitary Tax Returns that Houston determines in good faith are required to be filed or that Houston chooses to file pursuant to Section 3.02 with respect to any Pre-Distribution Period.

*(b)* With respect to all Houston Consolidated Returns for the taxable year which includes the Distribution Date, Houston shall use the closing of the books method under Treasury Regulation Section 1.1502-76.

*Right to Review Tax Returns.*

*(a)* Except as otherwise agreed by the Companies, in the case of any material Tax Returns, to the extent not previously filed, no later than thirty (30) days prior to the Due Date of each such Tax Return (reduced to fifteen (15) days for state or local Tax Returns), the Responsible Company shall make available or cause to be made available drafts of such Tax Return (together with all related work papers) to the other Company. The other Company shall have access to any and all data and information necessary for the preparation of all such Tax Returns and the Companies shall cooperate fully in the preparation and review of such Tax Returns. Subject to the preceding sentence, no later than fifteen (15) days after receipt of such Tax Returns (reduced to ten (10) days for state or local Tax Returns), the other Company shall have a right to object to such Tax Return (or items with respect thereto) by written notice to the Responsible Company; such written notice shall contain such disputed item (or items) and the basis for its objection. For purposes of this Section 3.05(a), a Tax Return is "material" with respect to a Company who is not the Responsible Company if it could reasonably be expected to reflect, with respect to such Company, (A) Tax liability equal to or in excess of Ten Million Dollars (\$10,000,000), (B) a credit or credits equal to or in excess of Ten Million Dollars (\$10,000,000),

(C) a loss or losses equal to or in excess of Ten Million Dollars (\$10,000,000) or (D) could otherwise be expected to materially adversely affect a Tax position with respect to the Company or its Group.

(b) If a Company does object by proper written notice described in Section 3.05(a), the Companies shall act in good faith to resolve any such dispute as promptly as practicable; provided, however, that, notwithstanding anything to the contrary contained herein, if the Companies have not resolved the disputed item or items by the day five (5) days prior to the Due Date of such Tax Return, such Tax Return shall be filed as prepared pursuant to this Section 3.05 (revised to reflect all initially disputed items that the Companies have agreed upon prior to such date).

(c) In the event a Tax Return is filed that includes any disputed item for which proper notice was given pursuant to Section 3.05 (a) that was not finally resolved and agreed upon, such disputed item (or items) shall be resolved in accordance with Section 14. In the event that the resolution of such disputed item (or items) in accordance with Section 14 with respect to a Tax Return is inconsistent with such Tax Return as filed, the Responsible Company (with cooperation from the other Company) shall, as promptly as practicable, amend such Tax Return to properly reflect the final resolution of the disputed item (or items). In the event that the amount of Taxes shown to be due and owing on a Tax Return is adjusted as a result of a resolution pursuant to Section 14, proper adjustment shall be made to the amounts previously paid or required to be paid in accordance with Section 4 in a manner that reflects such resolution.

*Refunds, Carrybacks and Amended Tax Returns.*

*(a) Refunds.*

(i) Each Company (and its Affiliates) (the “Claiming Company”) shall be entitled to Refunds that relate to Taxes for which it (or its Affiliates) is liable hereunder. For the avoidance of doubt, to the extent that a particular Refund of Taxes may be allocable to a Straddle Period with respect to which the Parties may share responsibility pursuant to Sections 2 and 3, the portion of such Refund to which each Party will be entitled shall be determined by comparing the amount of payments made by a Party to a Tax Authority or to the other Party (and reduced by the amount of payments received from the other Party) pursuant to Sections 2 and 3 with the Tax liability of such Party as determined under Section 2.04, taking into account the facts as utilized for purposes of claiming such Refund.

(ii) Notwithstanding Section 3.06(a)(i), to the extent a claim for a Refund results in a Correlative Detriment to the other Company (or its Affiliates), any such Refund that is received by the Claiming Company (or its Affiliates) shall, and only to the extent thereof, be paid to the other Company (or its Affiliates) that incurs such Correlative Detriment. A “Correlative Detriment” is an increase in a Tax of a Company (or its Affiliates) that occurs as a result of the Tax position that is the basis for a claim for Refund by the Claiming Company or for a Final Determination, utilizing the assumptions set forth in the description of Houston Full Taxpayer or Everett Full Taxpayer, as the case may be.

(iii) In the event of an adjustment relating to Taxes pursuant to a Final Determination for which one Party is responsible under this Agreement which would have given rise to a Refund but for an offset against the Taxes for which the other Party is or may be responsible pursuant to this Agreement (the “Benefited Party”), then the Benefited Party shall pay to the other Party, within ten (10) days of the Final Determination of such adjustment an amount equal to the amount of such reduction in the Taxes of the Benefited Party plus interest at the Prime Rate on such amount for the period from the filing date of the Tax Return that would have given rise to such Refund to the payment date.

(iv) Any Refund or portion thereof to which a Claiming Company is entitled pursuant to this Section 3.06(a) that is received or deemed to have been received as described herein by the other Company (or its Affiliates) shall be paid by such other Company to the Claiming Company in immediately available funds in accordance with Section 4. To the extent a Company (or its Affiliates) applies or causes to be applied an overpayment of Taxes as a credit toward or a reduction in Taxes otherwise payable (or a Tax Authority requires such application in lieu of a Refund) and such Refund, if received, would have been payable by such Company to the Claiming Company pursuant to this Section 3.06(a), such Company shall be deemed to have actually received a Refund to the extent thereof on the date on which the overpayment is applied to reduce Taxes otherwise payable.

(v) Notwithstanding anything to the contrary in this Agreement, any Company that has claimed (or caused one or more of its Affiliates to claim) a Refund shall be liable for any Taxes that become due and payable as a result of the subsequent adjustment, if any, to the Refund claim.

*(b) Carrybacks.*

(i) Each of the Companies shall be permitted (but not required) to carry back (or to cause its Affiliates to carry back) a Tax Attribute realized in a Post-Distribution Period or a Straddle Period to a Pre-Distribution Period or a Straddle Period only if such carryback cannot reasonably result in the other Company (or its Affiliates) being liable for additional Taxes. If a carryback could reasonably result in the other Company (or its Affiliates) being liable for additional Taxes, such carryback shall be permitted only if such Company consents to such carryback.

(ii) Notwithstanding anything to the contrary in this Agreement, any Company that has claimed (or caused one or more of its Affiliates to claim) a Tax Attribute carryback shall be liable for any Taxes that result from such carryback claim or become due and payable as a result of the subsequent adjustment, if any, to the carryback claim.

(iii) A Company shall be entitled to any Refund that is attributable to, and would not have arisen but for, a carryback of a Tax Attribute by such Company pursuant to the provisions set forth in Section 3.06(b).

(iv) A Company shall be entitled to any Tax Benefit actually recognized by the other Company or its Affiliates as a result of any carryback of a Tax Attribute by such first Company.

*(c) Amended Tax Returns.*

(i) Notwithstanding Section 3.01, a Company (or its Affiliates) that is entitled to file an amended Tax Return for a Pre-Distribution Period or a Straddle Period shall be permitted to prepare and file such amended Tax Return at its own cost and expense; provided, however, that such amended Tax Return shall be prepared in a manner (i) consistent with the past practice of the Companies (and their Affiliates) unless otherwise modified by a Final Determination or required by applicable Tax Law; and (ii) consistent with (and the Companies and their Affiliates shall not take any position inconsistent with) the Tax Opinions/Rulings. Notwithstanding anything to the contrary contained herein, if such amended Tax Return could reasonably result in the other Company becoming responsible for a payment of (or otherwise becoming liable for) Taxes under this Agreement, then such amended Tax Return shall be permitted only if the consent of such other Company is obtained. The consent of such other Company shall be deemed to be obtained in the event that a Company (or its Affiliate) is required by Law to file an amended Tax Return as a result of an adjustment.

(ii) A Company (or its Affiliate) that is entitled to file an amended Tax Return for a Post-Distribution Period shall be permitted to do so without the consent of the other Company.

(iii) A Company that is permitted (or whose Affiliate is permitted) to file an amended Tax Return shall not be relieved of any liability for payments pursuant to this Agreement notwithstanding that the Company consented to the filing of such amended Tax Return giving rise to such liability.

*Apportionment of Tax Attributes*(a) . Houston shall reasonably determine in good faith, and advise Everett in writing, of the amount of any Tax Attributes arising in a Pre-Distribution Period that shall be allocated or apportioned to the Everett Group under applicable Law, provided that this Section 3.07 shall not be construed as obligating Houston to undertake an “earnings & profits study” or similar determination. Houston shall consult in good faith with Everett regarding such determinations. In the event that Everett disagrees with any such determination, Houston and Everett shall endeavor in good faith to resolve such disagreement, and, failing that, the allocations and apportionments under this Section 3.07 shall be determined in accordance with the disagreement resolution provisions of Section 14 as promptly as practicable. The Houston Group and the Everett Group agree to compute all Taxes for Post-Distribution Periods consistently with the determination of the allocation of Tax Attributes pursuant to this Section 3.07 unless otherwise required by a Final Determination. To the extent that the amount of any Tax Attribute is later reduced or increased as a result of a Final Determination, such reduction or increase shall be allocated to the Party to which such Tax Attribute was allocated pursuant to this Section 3.07.

## **Tax Payments.**

### *Payment of Taxes.*

(a) *Computation and Payment of Tax Due.* At least three (3) Business Days prior to any Payment Date for any Tax Return, the Responsible Company shall compute the amount of Tax required to be paid to the applicable Tax Authority (taking into account the requirements of Section 3.03 relating to consistent reporting practices, as applicable) with respect to such Tax Return on such Payment Date. The Responsible Company shall pay such amount to such Tax Authority on or before such Payment Date. The Responsible Company shall provide notice to the other Company setting forth such other Company's responsibility for the amount of Taxes paid to the Tax Authority and provide proof of payment of such Taxes.

(b) *Computation and Payment of Liability with Respect to Tax Due.* Within thirty (30) Business Days following the earlier of (i) the due date (including extensions) for filing any such Tax Return (excluding any Tax Return with respect to payment of estimated Taxes or Taxes due with a request for extension of time to file) or (ii) the date on which such Tax Return is filed, if Houston is the Responsible Company, then Everett shall pay to Houston the amount allocable to the Everett Group under the provisions of this Agreement, and if Everett is the Responsible Company, then Houston shall pay to Everett the amount allocable to the Houston Group under the provisions of this Agreement, in each case, plus interest computed at the Prime Rate on the amount of the payment based on the number of days from the earlier of (i) the due date of the Tax Return (including extensions) or (ii) the date on which such Tax Return is filed, to the date of payment. For the avoidance of doubt, however, the thirty (30) Business Day period described herein shall not commence unless and until the Responsible Company notifies the other Company pursuant to Section 4.01(a) hereof, nor shall interest accrue during any time period where such notification has not been received.

(c) *Adjustments Resulting in Underpayments.* In the case of any adjustment pursuant to a Final Determination with respect to any such Tax Return, the Responsible Company shall pay to the applicable Tax Authority when due any additional Tax due with respect to such Tax Return required to be paid as a result of such adjustment pursuant to such Final Determination. The Responsible Company shall compute the amount attributable to the Everett Group or the Houston Group (as the case may be) in accordance with this Agreement and Everett shall pay to Houston any amount due Houston (or Houston shall pay Everett any amount due Everett) under this Agreement within thirty (30) Business Days from the later of (i) the date the additional Tax was paid by the Responsible Company or, in an instance where no cash payment is due to a Tax Authority, the date of such Final Determination, or (ii) the date of receipt of a written notice and demand from the Responsible Company for payment of the amount due, accompanied by evidence of payment and a statement detailing the Taxes paid and describing in reasonable detail the particulars relating thereto. Any payments required under this Section 4.01(c) shall include interest computed at the Prime Rate based on the number of days from the date the additional Tax was paid by the Responsible Company (or, in an instance where no cash payment is due to a Tax Authority, the date of such Final Determination) to the date of the payment under this Section 4.01(c).

### *Indemnification Payments.*

(a) If any Company (the “Payor”) is required under applicable Tax Law to pay to a Tax Authority a Tax that another Company (the “Required Company”) is liable for under this Agreement, the Payor shall provide notice to the Required Company for the amount due, accompanied by evidence of payment and a statement detailing the Taxes paid and describing in reasonable detail the particulars relating thereto. Such Required Company shall have a period of thirty (30) days after the receipt of notice to respond thereto. Unless the Required Company disputes the amount it is liable for under this Agreement, the Required Company shall reimburse the Payor within forty-five (45) Business Days of delivery by the Payor of the notice described above. To the extent the Required Company does not agree with the amount the Payor claims the Required Company is liable for under this Agreement, the dispute shall be resolved in accordance with Section 14. Any reimbursement shall include interest on the Tax payment computed at the Prime Rate based on the number of days from the date of the payment to the Tax Authority to the date of reimbursement under this Section 4.02.

(b) Any Tax indemnity payment required to be made by the Required Company pursuant to this Agreement shall be reduced by any corresponding Tax Benefit payment required to be made to the Required Company by the other Company pursuant to Section 5. For the avoidance of doubt, a Tax Benefit payment is treated as corresponding to a Tax indemnity payment to the extent the Tax Benefit realized is directly attributable to the same Tax Item (or adjustment of such Tax Item pursuant to a Final Determination) that gave rise to the Tax indemnity payment.

(c) All indemnification payments under this Agreement shall be made by Houston directly to Everett and by Everett directly to Houston; provided, however, that if the Companies mutually agree with respect to any such indemnification payment, any member of the Houston Group, on the one hand, may make such indemnification payment to any member of the Everett Group, on the other hand, and *vice versa*. All indemnification payments shall be treated in the manner described in Section 13.

### **Tax Benefits and Houston Tax Attributes.**

#### *Tax Benefits.*

(a) If a member of the Everett Group recognizes any Tax Benefit as a result of an adjustment pursuant to a Final Determination to any Taxes for which a member of the Houston Group is liable hereunder and such Tax Benefit would not have arisen but for such adjustment (determined on a “with and without” basis), or if a member of the Houston Group recognizes any Tax Benefit as a result of an adjustment pursuant to a Final Determination to any Taxes for which a member of the Everett Group is liable hereunder and such Tax Benefit would not have arisen but for such adjustment (determined on a “with and without” basis), Everett or Houston, as the case may be, shall make a payment to the other company within one hundred twenty (120) Business Days following such actual recognition of the Tax Benefit, in an amount equal to such Tax Benefit, plus interest on such amount computed at the Prime Rate based on the number of days from the date of such actual realization of the Tax Benefit to the date of payment of such amount under this Section 5.01(a).

(b) No later than one hundred twenty (120) Business Days after a Tax Benefit described in Section 5.01(a) is actually recognized by a member of the Houston Group or a member of the Everett Group, Houston (if a member of the Houston Group recognizes such Tax Benefit) or Everett (if a member of the Everett Group recognizes such Tax Benefit) shall provide the other Company with notice of the amount payable to such other Company by Houston or Everett pursuant to this Section 5. In the event that Houston or Everett disagrees with any such calculation described in this Section 5.01(b), Houston or Everett shall so notify the other Company in writing within thirty (30) Business Days of receiving the written calculation set forth above in this Section 5.01 (b). Houston and Everett shall endeavor in good faith to resolve such disagreement, and, failing that, the amount payable under this Section 5 shall be determined in accordance with the disagreement resolution provisions of Section 14 as promptly as practicable.

(c) For the avoidance of doubt, this Section 5 shall apply to any adjustment under Section 482 of the Code or any similar provisions by any Tax Authority increasing the amount of payments received or deemed received by (1) any member of the Houston Group from any member of the Everett Group or (2) any member of the Everett Group from any member of the Houston Group.

*Houston UK Tax NOLs Utilization Payments.*

(a) Everett shall pay to Houston the amount, if any, of the Five-Year Houston UK Tax NOLs Utilization Amount Payment within one hundred twenty (120) Business Days following the close of the fifth (5th) full taxable year for United Kingdom Income Tax purposes following the Distribution Date.

(b) Everett shall pay to Houston the amount, if any, of the 10-Year Houston UK Tax NOLs Utilization Amount Payment within one hundred twenty (120) Business Days following the close of the tenth (10th) full taxable year for United Kingdom Income Tax purposes following the Distribution Date.

(c) All calculations relating to the payments, if any, to be made under this Section 5.02 shall be determined by Everett in good faith and with reasonable consultation with Houston. Any disputes relating to payments, if any, to be made under this Section 5.02 shall be resolved in accordance with Section 14.

**Employee Benefits Matters.**

*Houston and Everett Income Tax Deductions in Respect of Certain Equity Awards and Compensation.* Unless otherwise required by applicable Law, solely the member of the Group for which the relevant individual is currently employed or, if such individual is not currently employed by a member of the Group, was most recently employed at the time of the vesting, exercise, disqualifying disposition, payment or other relevant taxable event, as appropriate, in respect of equity awards and other compensation shall be entitled to claim any Income Tax deduction in respect of such equity awards and other compensation on its respective Tax Return associated with such event.

*Withholding and Reporting.* The Company (or its Affiliate) that claims the deduction described in Section 6.01 shall be responsible for all applicable Taxes (including withholding and excise taxes) and shall satisfy, or shall cause to be satisfied, all applicable Tax reporting obligations in

respect of compensation (other than compensation attributable to equity awards) that gives rise to the deduction. [•] of the Employee Matters Agreement shall govern withholding and reporting obligations with respect to equity awards. The Companies shall cooperate (and shall cause their Affiliates to cooperate) so as to permit the Company (or Affiliate thereof) claiming such deduction described in Section 6.01 to discharge any applicable Tax withholding and Tax reporting obligations, including the appointment of a Company (or its Affiliate) claiming the deduction as the withholding and reporting agent if that Company (or any of its Affiliates) is not otherwise required or permitted to withhold or report under applicable Law.

*Pension Deductions.* In the event that Everett actually recognizes a Tax Benefit in a Post-Distribution Tax Period arising from contributions made to the EDS Pension Plan with respect to which a payment by Houston to HP Inc. is required pursuant to Section 6.03 of the Tax Matters Agreement entered into by and between Houston and Hewlett-Packard Company on October 31, 2015 and the addendums thereto, as amended through the date hereof, Everett shall make a payment to Houston of the amount of such actually recognized Tax Benefit within 30 Business Days.

**Tax-Free Status.**

*Restrictions on Everett. During the Restricted Period, Everett and Chicago shall not:*

(a) enter into any Proposed Acquisition Transaction, approve any Proposed Acquisition Transaction for any purpose, or allow any Proposed Acquisition Transaction to occur with respect to Everett;

(b) merge or consolidate with any other Person (other than pursuant to the Merger) or liquidate or partially liquidate; or approve or allow any merger, consolidation, liquidation, or partial liquidation of any of the Active Business Entities;

(c) approve or allow the discontinuance, cessation, or sale or other transfer (to an Affiliate or otherwise) of, or a material change in, any Active Business;

(d) approve or allow the sale, issuance, or other disposition (to an Affiliate or otherwise), directly or indirectly, of any share of, or other equity interest or an instrument convertible into an equity interest in, any of the Active Business Entities;

(e) sell or otherwise dispose of more than thirty-five percent (35%) percent of its consolidated gross or net assets, or approve or allow the sale or other disposition (to an Affiliate or otherwise) of more than thirty-five percent (35%) of its consolidated gross or net assets or more than thirty-five percent (35%) of the consolidated gross or net assets of any of the Active Business Entities (in each case, excluding (A) sales in the ordinary course of business and measured based on fair market values as of the Distribution Date, (B) sales or other dispositions relating to the business(es) set forth on Schedule 1 or (C) any transfers to a Person that is a disregarded entity separate from the transferor for federal income tax purposes;

(f) amend its certificate of incorporation (or other organizational documents), or take any other action or approve or allow the taking of any action, whether through a stockholder vote or otherwise, affecting the voting rights of Everett stock;



(g) issue shares of a new class of non-voting stock;

(h) purchase, directly or through any Affiliate, any of its outstanding stock, other than through stock purchases meeting the requirements of Section 4.05(1)(b) of Revenue Procedure 96-30 (without regard to the effect of Revenue Procedure 2003-48 on Revenue Procedure 96-30);

(i) with respect to the Distribution, other than with respect to the business(es) set forth on Schedule 1, take any action or fail to take any action, or permit any member of the Everett Group to take any action or fail to take any action, that is inconsistent with any representation or covenant made in the Tax Opinions/Rulings or the Ruling Request; or

(j) other than with respect to the business(es) set forth on Schedule 1, take any action or permit any other member of the Everett Group to take any action (including any transactions with a third-party or any transaction with any Company) that, individually or in the aggregate (taking into account other transactions described in this Section 7.01) would be reasonably likely to adversely affect (A) the Tax-Free Status of the Contribution and Distribution, or (B) any Separation Transaction to qualify for its intended treatment as set forth in the Tax Opinions/Rulings (limited, in the case of those Separation Transactions intended to qualify for such treatment under foreign Law, to the extent set forth on Schedule 2);

provided, however, that Everett or Chicago shall be permitted to take such action or one or more actions set forth in the foregoing clauses (a) through (j) if, prior to taking any such actions, Everett or Chicago shall (1) have received a favorable private letter ruling from the IRS, or a ruling from another Tax Authority that confirms that such action or actions will not result in Distribution Taxes, taking into account such actions and any other relevant transactions in the aggregate (a “Post-Distribution Ruling”), in form and substance satisfactory to Houston in its discretion, which discretion shall be reasonably exercised in good faith to prevent the imposition on Houston, or responsibility for payment by Houston, of Distribution Taxes (which discretion shall include consideration of the reasonableness of any representations made in connection with such Post-Distribution Ruling) or (2) have received an Unqualified Tax Opinion that confirms that such action or actions will not result in Distribution Taxes, taking into account such actions and any other relevant transactions in the aggregate, in form and substance satisfactory to Houston (including any representations or assumptions that may be included in such Unqualified Tax Opinion), acting reasonably and in good faith solely to prevent the imposition on Houston, or responsibility for payment by Houston, of Distribution Taxes. Everett and Chicago shall provide a copy of the Post-Distribution Ruling or the Unqualified Tax Opinion described in this paragraph to Houston as soon as practicable prior to taking or failing to take any action set forth in the foregoing clause (a) through (j). Houston’s evaluation of a Post-Distribution Ruling or Unqualified Tax Opinion may consider, among other factors, the appropriateness of any underlying assumptions, representations, and covenants made in connection with such Post-Distribution Ruling or Unqualified Tax Opinion. Everett shall bear all costs and expenses of securing any such Post-Distribution Ruling or Unqualified Tax Opinion and shall reimburse Houston for all reasonable out-of-pocket costs and expenses that Houston may incur in good faith in seeking to obtain or evaluate any such Post-Distribution Ruling or Unqualified Tax Opinion.

*Liability for Distribution Tax-Related Losses.* In the event that Distribution Taxes become due and payable to a Tax Authority pursuant to a Final Determination, then, notwithstanding anything to the contrary in this Agreement:

(a) if such Distribution Taxes are attributable to a Houston Tainting Act, then Houston shall be responsible for any Distribution Tax-Related Losses;

(b) if such Distribution Taxes are attributable to an Everett Tainting Act, then Everett shall be responsible for any Distribution Tax-Related Losses; and

(c) if such Distribution Taxes are not attributable to a Houston Tainting Act or an Everett Tainting Act, then Houston shall be one hundred percent (100%) responsible for such Distribution Tax-Related Losses.

## **Cooperation and Reliance.**

### *Assistance and Cooperation.*

(a) The Companies shall cooperate (and cause their respective Affiliates to cooperate) with each other and with each other's agents, including accounting firms and legal counsel, in connection with Tax matters relating to the Companies and their Affiliates including (i) preparation and filing of Tax Returns, (ii) determining the liability for and amount of any Taxes due (including estimated Taxes) or the right to and amount of any refund of Taxes, (iii) examinations of Tax Returns, and (iv) any administrative or judicial proceeding in respect of Taxes assessed or proposed to be assessed. Such cooperation shall include making all information and documents in their possession relating to the other Company and its Affiliates available to such other Company as provided in Section 9. Each of the Companies shall also make available to the other, as reasonably requested and available, personnel (including officers, directors, employees and agents of the Companies or their respective Affiliates) responsible for preparing, maintaining, and interpreting information and documents relevant to Taxes, and personnel reasonably required as witnesses or for purposes of providing information or documents in connection with any administrative or judicial proceedings relating to Taxes. In the event that a member of the Houston Group, on the one hand, or a member of the Everett Group, on the other hand, suffers a Tax detriment as a result of a Transfer Pricing Adjustment, the Companies shall cooperate pursuant to this Section 8 to seek any competent authority relief that may be available with respect to such Transfer Pricing Adjustment.

(b) Any information or documents provided under this Section 8 shall be kept confidential by the Company receiving the information or documents, except as may otherwise be necessary in connection with the filing of Tax Returns or in connection with any administrative or judicial proceedings relating to Taxes. Notwithstanding any other provision of this Agreement or any other agreement, (i) neither Company nor any Affiliate shall be required to provide the other Company or any Affiliate or any other Person access to or copies of any information or procedures (including the proceedings of any Tax Contest) other than information or procedures that relate solely to the first Company, the business or assets of the first Company or any of its Affiliates and (ii) in no event shall any Company or its Affiliates be required to provide the other Company, any of the other Company's Affiliates or any other Person access to or copies of any

information if such action could reasonably be expected to result in the waiver of any Privilege. In addition, in the event that a Company determines that the provision of any information to the other Company or an Affiliate of the other Company could be commercially detrimental, violate any Law or agreement or waive any Privilege, the Company shall use reasonable best efforts to permit compliance with its obligations under this Section 8 in a manner that avoids any such harm or consequence.

*Income Tax Return Information.* Everett and Houston acknowledge that time is of the essence in relation to any request for information, assistance or cooperation made by Houston or Everett pursuant to Section 8.01 or this Section 8.02. Each Company shall provide to the other Company information and documents relating to its Group required by the other Company to prepare Tax Returns. Any information or documents the Responsible Company requires to prepare such Tax Returns shall be provided in such form as the Responsible Company reasonably requests and in sufficient time for the Responsible Company to file such Tax Returns on a timely basis.

*Non-Performance.* If a Company (or any of its Affiliates) fails to comply with any of its obligations set forth in this Section 8 upon reasonable request and notice by the other Company (or any of its Affiliates) and such failure results in the imposition of additional Taxes, the non-performing Company shall be liable in full for such additional Taxes.

*Costs.* Each Company shall devote the personnel and resources necessary in order to carry out this Section 8 and shall make its employees available on a mutually convenient basis to provide explanations of any documents or information provided hereunder. Each Company shall carry out its responsibilities under this Section 8 at its own cost and expense.

### **Tax Records.**

*Retention of Tax Records.* Each Company shall preserve and keep all Tax Records exclusively relating to the assets and activities of its Group for Pre-Distribution Periods, and Houston shall preserve and keep all other Tax Records relating to Taxes of the Groups for Pre-Distribution Periods, for so long as the contents thereof may become material in the administration of any matter under the Code or other applicable Tax Law, but in any event until the later of (i) the expiration of any applicable statutes of limitations, or (ii) seven (7) years after the Distribution Date (such later date, the “Retention Date”). After the Retention Date, each Company may dispose of such Tax Records upon ninety (90) Business Days’ prior written notice to the other Company. If, prior to the Retention Date, (a) a Company reasonably determines that any Tax Records which it would otherwise be required to preserve and keep under this Section 9 are no longer material in the administration of any matter under the Code or other applicable Tax Law and the other Company agrees, then such first Company may dispose of such Tax Records upon ninety (90) Business Days’ prior notice to the other Company. Any notice of an intent to dispose given pursuant to this Section 9.01 shall include a list of the Tax Records to be disposed of describing in reasonable detail each file, book, or other record accumulation being disposed. The notified Company shall have the opportunity, at its cost and expense, to copy or remove, within such ninety (90)-day period, all or any part of such Tax Records. If, at any time prior to the Retention Date, a Company determines to decommission or otherwise discontinue any computer program or information technology system used to access or store any Tax Records, then such Company may decommission or discontinue such program or system

upon ninety (90) Business Days' prior notice to the other Company and the other Company shall have the opportunity, at its cost and expense, to copy, within such ninety (90)-day period, all or any part of the underlying data relating to the Tax Records accessed by or stored on such program or system.

*Access to Tax Records.* The Companies and their respective Affiliates shall make available to each other for inspection and copying during normal business hours upon reasonable notice all Tax Records (and, for the avoidance of doubt, any pertinent underlying data accessed or stored on any computer program or information technology system) in their possession and shall permit the other Company and its Affiliates, authorized agents and representatives and any representative of a Tax Authority or other Tax auditor direct access during normal business hours upon reasonable notice to any computer program or information technology system used to access or store any Tax Records, in each case to the extent reasonably required by the other Company in connection with the preparation of Tax Returns or financial accounting statements, audits, litigation, or the resolution of items under this Agreement. To the extent any Tax Records are required to be or are otherwise transferred by the Companies or their respective Affiliates to any person other than an Affiliate, the Company or its respective Affiliate shall transfer such records to the other Company at such time.

### **Tax Contests.**

*Notice.* Each of the Companies shall provide prompt notice to the other Company of any written communication from a Tax Authority regarding any pending or threatened Tax audit, assessment or proceeding or other Tax Contest of which it becomes aware related to Taxes for which it is indemnified by the other Company hereunder. Such notice shall attach copies of the pertinent portion of any written communication from a Tax Authority and contain factual information (to the extent known) describing any asserted Tax liability in reasonable detail and shall be accompanied by copies of any notice and other documents received from any Tax Authority in respect of any such matters. If an indemnified Company has knowledge of an asserted Tax liability with respect to a matter for which it is entitled to indemnification hereunder and such Company fails to give the indemnifying Company prompt notice of such asserted Tax liability and the indemnifying Company is entitled under this Agreement to contest the asserted Tax liability, then (i) if the indemnifying Company is precluded from contesting the asserted Tax liability in any forum as a result of the failure to give prompt notice, the indemnifying Company shall have no obligation to indemnify the indemnified Company for such Tax liability or any other Taxes arising from such failure, and (ii) if the indemnifying Company is not precluded from contesting the asserted Tax liability in any forum, but such failure to give prompt notice results in a material monetary detriment to the indemnifying Company, then any amount which the indemnifying Company is otherwise required to pay the indemnified Company pursuant to this Agreement shall be reduced by the amount of such detriment.

### *Control of Tax Contests.*

*(a) Controlling Company.* In the case of any Tax Contest with respect to any Tax Return, the Company that would be primarily liable under this Agreement to pay the applicable Tax Authority the Taxes resulting from such Tax Contest shall administer and control such Tax Contest.

*(b) Settlement Rights.* The Controlling Company must obtain the prior consent of the Non-Controlling Company prior to contesting, litigating, compromising or settling any Tax Contest related to an adjustment which the Non-Controlling Company may reasonably be expected to become liable to make any indemnification payment under this Agreement (or any payment under Section 5). Unless waived by the Companies in writing, in connection with any potential adjustment in a Tax Contest as a result of which adjustment the Non-Controlling Company may reasonably be expected to become liable to make any indemnification payment under this Agreement (or any payment under Section 5) to the Controlling Company under this Agreement: (i) the Controlling Company shall keep the Non-Controlling Company informed in a timely manner of all actions taken or proposed to be taken by the Controlling Company with respect to such potential adjustment in such Tax Contest; (ii) the Controlling Company shall provide the Non-Controlling Company copies of any written materials relating to such potential adjustment in such Tax Contest received from any Tax Authority; (iii) the Controlling Company shall timely provide the Non-Controlling Company with copies of any correspondence or filings submitted to any Tax Authority or judicial authority in connection with such potential adjustment in such Tax Contest; (iv) the Controlling Company shall consult with the Non-Controlling Company (including, without limitation, regarding the use of outside advisors to assist with the Tax Contest) and offer the Non-Controlling Company a reasonable opportunity to comment before submitting any written materials prepared or furnished in connection with such potential adjustment in such Tax Contest; and (v) the Controlling Company shall defend such Tax Contest diligently and in good faith. The failure of the Controlling Company to take any action specified in the preceding sentence with respect to the Non-Controlling Company shall not relieve the Non-Controlling Company of any liability and/or obligation which it may have to the Controlling Company under this Agreement except to the extent that the Non-Controlling Company was actually harmed by such failure, and in no event shall such failure relieve the Non-Controlling Company from any other liability or obligation which it may have to the Controlling Company. In the case of any Tax Contest described in Section 10.02(a) or (b), “Controlling Company” means the Company entitled to control the Tax Contest under such Section and “Non-Controlling Company” means the other Company.

*(c) Tax Contest Participation.* Unless waived by the Companies in writing, the Controlling Company shall provide the Non-Controlling Company with written notice reasonably in advance of, and the Non-Controlling Company shall have the right to attend, any formally scheduled meetings with Tax Authorities or hearings or proceedings before any judicial authorities in connection with any potential adjustment in a Tax Contest pursuant to which the Non-Controlling Company may reasonably be expected to become liable to make any indemnification payment (or any payment under Section 5) to the Controlling Company under this Agreement. The failure of the Controlling Company to provide any notice specified in this Section 10.02(c) to the Non-Controlling Company shall not relieve the Non-Controlling Company of any liability and/or obligation which it may have to the Controlling Company under this Agreement except to the extent that the Non-Controlling Company was actually harmed by such failure, and in no event shall such failure relieve the Non-Controlling Company from any other liability or obligation which it may have to the Controlling Company.

*(d) Power of Attorney.* Each member of the Everett Group shall execute and deliver to Houston (or such member of the Houston Group as Houston shall designate) any power of

attorney or other similar document reasonably requested by Houston (or such designee) in connection with any Tax Contest (as to which Houston is the Controlling Company) described in this Section 10. Each member of the Houston Group shall execute and deliver to Everett (or such member of the Everett Group as Everett shall designate) any power of attorney or other similar document requested by Everett (or such designee) in connection with any Tax Contest (as to which Everett is the Controlling Company) described in this Section 10.

*(e) Costs.* All external out-of-pocket costs and expenses that are incurred by the Controlling Company with respect to a Tax Contest related to an adjustment which the Non-Controlling Company may reasonably be expected to become liable to make any indemnification payment under this Agreement shall be shared by the Companies according to each Company's relative share of the potential Tax liability with respect to the Tax Contest as determined under this Agreement; provided, however, that a Non-Controlling Company shall not be liable for fees payable to outside advisors to the extent that the Controlling Company failed to consult with the Non-Controlling Company pursuant to Section 10.02(b). If the Controlling Company incurs out-of-pocket costs and expenses to be shared under this Section 10.02(e) during a fiscal quarter, such Controlling Company shall provide notice to the Non-Controlling Company within thirty (30) days after the end of such fiscal quarter for the amount due from such Non-Controlling Company pursuant to this Section 10.02(e), describing in reasonable detail the particulars relating thereto. Such Non-Controlling Company shall have a period of thirty (30) days after the receipt of notice to respond thereto. Unless the Non-Controlling Company disputes the amount it is liable for under this Section 10.02(e), the Non-Controlling Company shall reimburse the Controlling Company within forty-five (45) Business Days of delivery by the Controlling Company of the notice described above. To the extent the Non-Controlling Company does not agree with the amount the Controlling Company claims the Non-Controlling Company is liable for under this Section 10.02(e), the dispute shall be resolved in accordance with Section 14. Any reimbursement shall include interest computed at the Prime Rate based on the number of days from the end of the relevant fiscal quarter to the date of reimbursement under this Section 10.02(e). During the first month of each fiscal quarter in which it expects to incur costs for which reimbursement may be sought under this Section 10.02(e), the Controlling Company will provide the Non-Controlling Company with a good faith estimate of such costs.

**Effective Date; Termination of Prior Intercompany Tax Allocation Agreements.** This Agreement shall be effective as of the date hereof. As of the date hereof, (i) all prior intercompany Tax allocation agreements or arrangements between one or more members of the Houston Group, on the one hand, and one or more members of the Everett Group, on the other hand, shall be terminated; and (ii) amounts due under such agreements as of the date hereof shall be settled as of the date hereof. Upon such termination and settlement, no further payments by or to Houston or by or to Everett, with respect to such agreements shall be made, and all other rights and obligations resulting from such agreements between the Companies and their Affiliates shall cease at such time.

**Survival of Obligations.** The representations, warranties, covenants and agreements set forth in this Agreement shall be unconditional and absolute and shall remain in effect without limitation as to time.

### **Treatment of Payments; Tax Gross Up.**

*Treatment of Tax Indemnity and Tax Benefit Payments.* In the absence of any change in Tax treatment under the Code or other applicable Tax Law,

(a) any Tax indemnity payments made by a Company under this Agreement shall be treated for Tax purposes by the Payor and the recipient as distributions or capital contributions, as appropriate, occurring immediately before the Distribution (but only to the extent the payment does not relate to a Tax allocated to the Payor in accordance with Section 1552 of the Code or the regulations thereunder or Treasury Regulation Section 1.1502-33(d) (or under corresponding principles of other applicable Tax Laws)) or as payments of an assumed or retained liability, and

(b) any Tax Benefit payments made by a Company under Section 5, shall be treated for Tax purposes by the Payor and the recipient as distributions or capital contributions, as appropriate, occurring immediately before the Distribution (but only to the extent the payment does not relate to a Tax allocated to the Payor in accordance with Section 1552 of the Code or the regulations thereunder or Treasury Regulation Section 1.1502-33(d) (or under corresponding principles of other applicable Tax Laws)) or as payments of an assumed or retained liability.

*Tax Gross Up.* If notwithstanding the manner in which Tax indemnity payments and Tax Benefit payments were reported, there is an adjustment to the Tax liability of a Company as a result of its receipt of a payment pursuant to this Agreement (disregarding for these purposes any such adjustment which arises solely as a result of a failure of the recipient Company to distribute such payment in the manner described in Section 361(b)(1)(A) of the Code) such payment shall be appropriately adjusted so that the amount of such payment, reduced by all Income Taxes payable with respect to the receipt thereof (but taking into account all correlative Tax Benefits resulting from the payment of such Income Taxes), shall equal the amount of the payment which the Company receiving such payment would otherwise be entitled to receive pursuant to this Agreement.

*Interest Under This Agreement.* Anything herein to the contrary notwithstanding, to the extent one Company ("Indemnitor") makes a payment of interest to another Company ("Indemnitee") under this Agreement with respect to the period from the date that the Indemnitee made a payment of Tax to a Tax Authority to the date that the Indemnitor reimbursed the Indemnitee for such Tax payment, the interest payment shall be treated as interest expense to the Indemnitor (deductible to the extent provided by law) and as interest income by the Indemnitee (includible in income to the extent provided by law). The amount of the payment shall not be adjusted to take into account any associated Tax Benefit to the Indemnitor or increase in Tax to the Indemnitee.

### **Disagreements.**

*Discussion.* The Companies mutually desire that friendly collaboration will continue between them. Accordingly, they will try, and they will cause their respective Group members to try, to resolve in an amicable manner all disagreements and misunderstandings connected with their respective rights and obligations under this Agreement, including any amendments hereto. In furtherance thereof, in the event of any dispute or disagreement (a "Dispute")

between any member of the Houston Group and any member of the Everett Group as to the interpretation of any provision of this Agreement or the performance of obligations hereunder, the Tax departments of the Companies shall negotiate in good faith to resolve the Dispute.

*Escalation.* If such good faith negotiations do not resolve the Dispute, then the matter, upon written request of either Company, will be referred for resolution to representatives of the Companies at a senior level of management of the Companies pursuant to the procedures set forth in Section 8.2 of the Separation and Distribution Agreement.

*Referral to Tax Advisor for Computational Disputes.* Notwithstanding anything to the contrary in Section 14, with respect to any Dispute involving computational matters, if the Companies are not able to resolve the Dispute through the discussion process set forth in Section 14.01, then the Companies shall not refer the dispute to the escalation process set forth in Section 14.02, but rather the Dispute will be referred to a Tax Advisor acceptable to each of the Companies to act as an arbitrator in order to resolve the Dispute. In the event that the Companies are unable to agree upon a Tax Advisor within fifteen (15) Business Days following the completion of the discussion process, the Companies shall each separately retain an independent, nationally recognized law or accounting firm (each, a "Preliminary Tax Advisor"), which Preliminary Tax Advisors shall jointly select a Tax Advisor on behalf of the Companies to act as an arbitrator in order to resolve the Dispute. The Tax Advisor may, in its discretion, obtain the services of any third-party appraiser, accounting firm or consultant that the Tax Advisor deems necessary to assist it in resolving such disagreement. The Tax Advisor shall furnish written notice to the Companies of its resolution of any such Dispute as soon as practical, but in any event no later than thirty (30) Business Days after its acceptance of the matter for resolution. Any such resolution by the Tax Advisor will be conclusive and binding on the Companies. Following receipt of the Tax Advisor's written notice to the Companies of its resolution of the Dispute, the Companies shall each take or cause to be taken any action necessary to implement such resolution of the Tax Advisor. Each Company shall pay its own fees and expenses (including the fees and expenses of its representatives) incurred in connection with the referral of the matter to the Tax Advisor (and the Preliminary Tax Advisors, if any). All fees and expenses of the Tax Advisor (and the Preliminary Tax Advisors, if any) in connection with such referral shall be shared equally by the Companies.

*Injunctive Relief.* Nothing in this Section 14 will prevent either Company from seeking injunctive relief if any delay resulting from the efforts to resolve the Dispute through the process set forth above could result in serious and irreparable injury to either Company. Notwithstanding anything to the contrary in this Agreement, Houston and Everett are the only members of their respective Group entitled to commence a dispute resolution procedure under this Agreement, and each of Houston and Everett will cause its respective Group members not to commence any dispute resolution procedure other than as provided in this Section 14.



**Expenses.** Except as otherwise provided in this Agreement, each Company and its Affiliates shall bear their own expenses incurred in connection with preparation of Tax Returns, Tax Contests, and other matters related to Taxes under the provisions of this Agreement.

**General Provisions.**

*Notices.* All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by facsimile or electronic transmission with receipt confirmed (followed by delivery of an original via overnight courier service) or by registered or certified mail (postage prepaid, return receipt requested) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 16.01):

if to Houston or, prior to the Distribution, Everett, to:

Hewlett Packard Enterprise Company  
3000 Hanover Street  
Palo Alto, California 94304  
Attention: General Counsel  
Facsimile No.: (650) 857-2012

with a copy (which shall not constitute notice) to:

Gibson, Dunn & Crutcher LLP  
200 Park Avenue  
New York, New York 10166  
Attention: Eduardo Gallardo  
Facsimile No.: (212) 351-5245  
Email: egallardo@gibsondunn.com

and a copy (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP  
525 University Avenue  
Palo Alto, California 94301  
Attention: Nathan Giesselman  
Facsimile No.: (650) 798-6572  
Email: nathan.giesselman@skadden.com

if to Chicago or, following the Distribution, Everett, to:

Computer Sciences Corporation  
1775 Tysons Boulevard  
Tysons, Virginia 22102  
Attention: General Counsel

with a copy (which shall not constitute notice) to:

Allen & Overy LLP  
1221 Avenue of the Americas  
New York, NY 10020  
Attention: Peter Harwich  
Facsimile No.: (212) 610-6399  
Email: peter.harwich@allenoverly.com

A Party may change the address for receiving notices under this Agreement by providing written notice of the change of address to the other Parties.

*Binding Effect.* This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their successors and assigns.

*Waiver.* The Parties may waive a provision of this Agreement only by a writing signed by the Party intended to be bound by the waiver. A Party is not prevented from enforcing any right, remedy or condition in the Party's favor because of any failure or delay in exercising any right or remedy or in requiring satisfaction of any condition, except to the extent that the Party specifically waives the same in writing. A written waiver given for one matter or occasion is effective only in that instance and only for the purpose stated. A waiver once given is not to be construed as a waiver for any other matter or occasion. Any enumeration of a Party's rights and remedies in this Agreement is not intended to be exclusive, and a Party's rights and remedies are intended to be cumulative to the extent permitted by law and include any rights and remedies authorized in law or in equity.

*Severability.* If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof or thereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the parties.

*Authority.* Each of the Parties represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate or other action, (c) it has duly and validly executed and delivered this Agreement, and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

*Further Action.* The Parties shall execute and deliver all documents, provide all information, and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement, including the execution and delivery to the other Parties and their Affiliates and representatives of such powers of attorney or other authorizing documentation as is reasonably necessary or appropriate in connection with Tax Contests (or portions thereof) under the control of such other Parties in accordance with Section 10.

*Integration.* This Agreement, together with each of the exhibits and schedules appended hereto constitutes the final agreement among the Parties, and is the complete and exclusive statement of the Parties' agreement on the matters contained herein. All prior and contemporaneous negotiations and agreements among the Parties with respect to the matters contained herein are superseded by this Agreement, as applicable. In the event of any inconsistency between this Agreement and the Separation and Distribution Agreement, or any other agreements relating to the transactions contemplated by the Separation and Distribution Agreement, with respect to matters addressed herein, the provisions of this Agreement shall control.

*Rules of Construction.* Interpretation of this Agreement shall be governed by the following rules of construction: (a) words in the singular shall be held to include the plural and vice versa, and words of one gender shall be held to include the other gender as the context requires; (b) references to the terms "Section," "paragraph," "clause," "Exhibit" and "Schedule" are references to the Sections, paragraphs, clauses, Exhibits and Schedules of this Agreement unless otherwise specified; (c) the terms "hereof," "herein," "hereby," "hereto," and derivative or similar words refer to this entire Agreement, including the Schedules and Exhibits hereto; (d) references to "\$" shall mean U.S. dollars; (e) the word "including" and words of similar import when used in this Agreement shall mean "including without limitation," unless otherwise specified; (f) the word "or" shall not be exclusive; (g) references to "written" or "in writing" include in electronic form; (h) provisions shall apply, when appropriate, to successive events and transactions; (i) the table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement; (j) Houston, Everett and Chicago have each participated in the negotiation and drafting of this Agreement and if an ambiguity or question of interpretation should arise, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or burdening a Party by virtue of the authorship of any of the provisions in this Agreement or any interim drafts of this Agreement; and (k) a reference to any Person includes such Person's successors and permitted assigns.

*No Double Recovery.* No provision of this Agreement shall be construed to provide an indemnity or other recovery for any costs, damages, or other amounts for which the damaged Party has been fully compensated under any other provision of this Agreement or under any other agreement or action at law or equity. Unless expressly required in this Agreement, a Party shall not be required to exhaust all remedies available under other agreements or at law or equity before recovering under the remedies provided in this Agreement.

*Counterparts.* This Agreement may be executed in one (1) or more counterparts (including by electronic or .pdf transmission), and by each Party in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of any signature page by facsimile, electronic or .pdf transmission shall be binding to the same extent as an original signature page.

*Governing Law.* This Agreement shall be governed by and construed and interpreted in accordance with the Laws of the State of Delaware without giving effect to the principles of conflicts of law thereof.

*Jurisdiction.* If any dispute arises out of or in connection with this Agreement, except as expressly contemplated by another provision of this Agreement, the Parties irrevocably (and the Parties will cause each other member of their respective Group to irrevocably) (i) agrees that any dispute shall be subject to the exclusive jurisdiction of the state and federal courts located in the State of Delaware, (ii) waives any claims of *forum non conveniens* and agrees to submit to the jurisdiction of such courts and (iii) agrees that service of any process, summons, notice or document by U.S. registered mail to its respective address set forth in Section 16.01 shall be effective service of process for any litigation brought against it in any such court or for the taking of any other acts as may be necessary or appropriate in order to effectuate any judgment of said courts.

*Amendment.* No provision of this Agreement (except as otherwise provided therein) may be amended or modified except by a written instrument signed by each of the parties hereto or thereto, as applicable.

*Houston or Everett Affiliates.* If, at any time, Houston or Everett acquires or creates one or more affiliates that are includable in the Houston Group or Everett Group, as the case may be, they shall be subject to this Agreement and all references to the Houston Group or Everett Group, as the case may be, herein shall thereafter include a reference to such affiliates. For the avoidance of doubt, as of the Effective Time, this Agreement shall be binding on Chicago and Chicago shall be subject to the obligations and restrictions imposed on Everett hereunder, and any restrictions applicable to Everett shall apply to Chicago *mutatis mutandis*.

*Successors.* This Agreement shall be binding on and inure to the benefit of any successor by merger, acquisition of assets, or otherwise, to any of the Parties hereto (including but not limited to any successor of Houston or Everett succeeding to the Tax attributes of either under Section 381 of the Code), to the same extent as if such successor had been an original Party to this Agreement.

*Injunctions.* The Parties acknowledge that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with its specific terms or were otherwise breached. The Parties hereto shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof in any court having jurisdiction, such remedy being in addition to any other remedy to which they may be entitled at law or in equity.

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed on its behalf by a duly authorized officer on the date first set forth above.

HEWLETT PACKARD ENTERPRISE COMPANY, a Delaware corporation

By: \_\_\_\_\_  
Name:  
Title:

EVERETT SPINCO, INC., a Nevada corporation

By: \_\_\_\_\_  
Name:  
Title:

COMPUTER SCIENCES CORPORATION, a Nevada corporation

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Tax Matters Agreement]

**EMPLOYEE MATTERS AGREEMENT**

**by and between**

**Hewlett Packard Enterprise Company,**

**Everett SpinCo, Inc.**

**and**

**Computer Sciences Corporation**

**Dated as of [DATE]**

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## EMPLOYEE MATTERS AGREEMENT

This Employee Matters Agreement (this “Agreement”), dated as of [DATE], with effect as of the Effective Time, is entered into by and between Hewlett Packard Enterprise Company, a Delaware corporation (“Houston”), Everett SpinCo, Inc., a Nevada corporation (“Everett”), and Computer Sciences Corporation, a Nevada corporation (“Chicago,” and together with Houston and Everett, the “Parties”).

### RECITALS:

WHEREAS, Houston and Everett have entered into a Separation and Distribution Agreement, dated as of May 24, 2016, as amended by the First Amendment to the Separation and Distribution Agreement, dated as of November [●], 2016, which sets out the terms on which, and the conditions subject to which, they wish to implement the separation of their business (as contemplated in the Separation Agreement) (such agreement, as amended, restated or modified from time to time, the “Separation Agreement”).

WHEREAS, pursuant to the Agreement and Plan of Merger, dated as of May 24, 2016, by and among Houston, Everett, Chicago, and Everett Merger Sub Inc., a Delaware corporation (“Merger Sub”), as amended by the First Amendment to the Agreement and Plan of Merger, dated as of November [●], 2016 (the “Merger Agreement”), immediately following the Distribution, New Everett Merger Sub, Inc., a Nevada corporation and wholly owned subsidiary of Everett, will merge with and into Chicago (the “Merger”), and all shares of Chicago Common Stock will be converted into shares of common stock, \$0.01 par value per share, of Everett, upon the terms and subject to the conditions set forth in the Merger Agreement; and

WHEREAS, in connection with the foregoing, the Parties have agreed to enter into this Agreement to allocate between them assets, liabilities and responsibilities with respect to certain employee compensation, pension and benefit plans, programs and arrangements and certain employment matters.

NOW THEREFORE, in consideration of the mutual agreements, covenants and other provisions set forth in this Agreement, the Parties hereby agree as follows:

### ARTICLE I DEFINITIONS

Unless otherwise defined in this Agreement, capitalized words and expressions and variations thereof used in this Agreement or in its Schedules have the meanings set forth below. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Separation Agreement.

- 1.1 “Action” has the meaning given to that term in the Separation Agreement.
- 1.2 “Affiliate” has the meaning given to that term in the Separation Agreement.
- 1.3 “Agreement” has the meaning set forth in the preamble to this Agreement.



1.4 “Approved Leave of Absence” means an absence from active service pursuant to an approved leave.

1.5 “Auditing Party” has the meaning set forth in Section 6.4(a).

1.6 “Benefit Plan” means, with respect to an entity or any of its Subsidiaries, (a) each “employee welfare benefit plan” (as defined in Section 3(1) of ERISA) and each other employee benefits arrangement, policy or payroll practice (including, without limitation, severance pay, sick leave, vacation pay, salary continuation, disability, retirement, deferred compensation, bonus, stock option or other equity-based compensation, hospitalization, medical or life) sponsored or maintained by such entity or by any of its Subsidiaries (or to which such entity or any of its Subsidiaries contributes or is required to contribute) and (b) each “employee pension benefit plan” (as defined in Section 3(2) of ERISA), occupational pension plan or arrangement or other pension arrangement sponsored, maintained or contributed to by such entity or any of its Subsidiaries (or to which such entity or any of its Subsidiaries contributes or is required to contribute). For the avoidance of doubt, “Benefit Plans” includes Health and Welfare Plans. When immediately preceded by “Houston,” Benefit Plan means any Benefit Plan sponsored, maintained or contributed to by Houston or a Houston Entity or any Benefit Plan with respect to which Houston or a Houston Entity is a party. When immediately preceded by “Everett,” Benefit Plan means any Benefit Plan sponsored, maintained or contributed to by Everett or any Everett Entity or any Benefit Plan with respect to which Everett or an Everett Entity is a party. When immediately preceded by “Chicago,” Benefit Plan means any Benefit Plan sponsored, maintained or contributed to by Chicago or any of its Subsidiaries or any Benefit Plan with respect to which Chicago or any of its Subsidiaries is a party.

1.7 “Chicago” has the meaning set forth in the preamble to this Agreement.

1.8 “Chicago Common Stock” means the outstanding shares of common stock, \$1.00 par value, of Chicago.

1.9 “Chicago Employee” means any individual who is employed by a Chicago Entity immediately prior to the Effective Time,

1.10 “Chicago Equity Awards” means the Chicago Options, Chicago RSU Awards, Chicago PSU Awards and Chicago SARs.

1.11 “Chicago Executive DC Plan” means the Chicago Deferred Compensation Plan, as amended and restated effective as of December 31, 2012 and the First Amendment to the Chicago Deferred Compensation Plan effective as of December 31, 2013, in effect as of the time relevant to the applicable provision of this Agreement.

1.12 “Chicago Health and Welfare Plans” has the meaning set forth in Section 4.1(a)(ii).

1.13 “Chicago Non-Employee Director” means each member of the Chicago Board of Directors as of immediately after the Effective Time who is not a Chicago Employee.

1.14 “Chicago Stock Plan” means Chicago’s 2011 Omnibus Incentive Plan, 2007 Employee Incentive Plan, 2004 Incentive Plan, or 2010 Non-Employee Director Stock Incentive Plan, in each case including any sub-plan or addendum thereto.

1.15 “Chicago 401(k) Plan” has the meaning set forth in Section 3.1(c).

1.16 “Closing” has the meaning set forth in the Merger Agreement.

1.17 “Closing Date” has the meaning set forth in the Merger Agreement.

1.18 “COBRA” means the continuation coverage requirements for “group health plans” under Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and as codified in Code § 4980B and ERISA §§ 601 through 608.

1.19 “Code” means the Internal Revenue Code of 1986, as amended, or any successor federal income tax law. Reference to a specific Code provision also includes any proposed, temporary or final regulation in force under that provision.

1.20 “Dallas” means Hewlett-Packard Company, a Delaware corporation.

1.21 “HP Excess Plans” has the meaning given to that term in the Historical Employee Matters Agreement.

1.22 “Destination LOA Employee” means a Houston Destination LOA Employee or an Everett Destination LOA Employee, as applicable.

1.23 “DEU Account” means (a) when immediately preceded by “Houston,” an account consisting of dividend equivalent units relating to Houston Common Stock granted under a Houston Stock Plan (or a historical Dallas stock plan) or (b) when immediately preceded by “Everett,” an account consisting of dividend equivalent units relating to shares of Everett Common Stock outstanding under the Everett Stock Plan.

1.24 “Distribution Date” has the meaning given to that term in the Separation Agreement.

1.25 “Effective Time” has the meaning given to that term in the Separation Agreement.

1.26 “Everett” has the meaning set forth in the preamble to this Agreement.

1.27 “Everett 401(k) Contribution” has the meaning set forth in Section 3.1(b).

1.28 “Everett Business” has the meaning given to that term in the Separation Agreement.

1.29 “Everett Common Stock” has the meaning given to that term in the Separation Agreement.

1.30 “Everett Destination LOA Employee” means a Houston Employee who:

(a) is on Approved Leave of Absence from a Houston Entity as of the Operational Separation Date,

(b) is allocated to the Everett Group pursuant to the OD&S Process,

(c) does not transfer to an Everett Entity as of the Operational Separation Date, and

(d) returns to, or has a right to return to, active employment (i) before the LOA Return Deadline or (ii) under circumstances in which applicable Law requires an Everett Entity to offer employment to such Houston Employee.

1.31 “Everett Employee” means any individual (a) who, as of 12:01 am local time on the Operational Separation Date, is either actively employed by, or on Approved Leave of Absence or Garden Leave from, an Everett Entity, (b) who transfers from a Houston Entity to an Everett Entity after 12:01 am local time on the Operational Separation Date and before the Distribution Date or (c) who is hired by any Everett Entity after 12:01 am local time on the Operational Separation Date; provided, however, that Everett Employee will not include any individual who transfers from an Everett Entity to a Houston Entity after 12:01 am local time on the Operational Separation Date and before the Distribution Date. For the avoidance of doubt, the term “Everett Employee” shall not include any individual that is a Chicago Employee.

1.32 “Everett Entities” means the members of the Everett Group.

1.33 “Everett Executive DC Plan” means the Everett executive deferred compensation plan, as described in Section 5.5(b).

1.34 “Everett Group” has the meaning given to that term in the Separation Agreement.

1.35 “Everett Incentive Plans” means the cash-based annual or other short-term incentive plans of Everett or any Everett Entity, all as in effect as of the time relevant to the applicable provisions of this Agreement.

1.36 “Everett Non-Employee Director” means each member of the Everett Board of Directors as of immediately after the Effective Time who is not an Everett Employee.

1.37 “Everett Stock Plan” means the plan adopted by Everett prior to the Effective Time and approved by the stockholders of Everett, under which the Everett equity-based awards described in Section 5.2 shall be outstanding.

1.38 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended. Reference to a specific provision of ERISA also includes any proposed, temporary or final regulation in force under that provision.

1.39 “Former Chicago Employees” means all former employees of Chicago or any of its Subsidiaries who have an employment end date on or before the Effective Time.

1.40 “Former Employees” means both Former Everett Employees and Former Houston Employees.

1.41 “Former Everett Employee” means any individual (a) who is allocated to the Everett Group pursuant to the OD&S Process and whose employment with an Everett Entity or Houston Entity terminates (or has terminated) prior to 12:01 am local time on the Operational Separation Date and (b) who does not subsequently become employed by an Everett Entity or a Houston Entity prior to the Distribution Date.

1.42 “Former Houston Employee” means any individual (a) who is allocated to the Houston Group pursuant to the OD&S Process and whose employment with a Houston Entity or Everett Entity terminates (or has terminated) prior to 12:01 am local time on the Operational Separation Date and (b) who does not subsequently become employed by an Everett Entity or a Houston Entity prior to the Distribution Date.

1.43 “Garden Leave” means an absence from active service at the request of an employer during a statutory or contractual notice period preceding termination of employment.

1.44 “Health and Welfare Plans” means any plan, fund or program which was established or is maintained for the purpose of providing for its participants or their beneficiaries, through the purchase of insurance or otherwise, medical (including PPO, EPO and HDHP coverages as well as retirement medical savings accounts and retiree medical), dental, prescription, vision, short-term disability, long-term disability, life, accidental death and disability, employee assistance, group legal services, wellness, cafeteria (including premium payment, health flexible spending account and dependent care flexible spending account components), travel reimbursement, transportation, or other benefits in the event of sickness, accident, disability, death or unemployment, or vacation benefits, apprenticeship or other training programs or day care centers, scholarship funds, or prepaid legal services, including any such plan, fund or program as defined in Section 3(1) of ERISA. When immediately preceded by “Houston,” Health and Welfare Plan means any Health and Welfare Plan sponsored, maintained or contributed to by Houston or a Houston Entity or any Health and Welfare Plan with respect to which Houston or a Houston Entity is a party. When immediately preceded by “Chicago,” Health and Welfare Plan means any Health and Welfare Plan sponsored, maintained or contributed to by Chicago or any Chicago Entity or any Health and Welfare Plan with respect to which Chicago or a Chicago Entity is a party.

1.45 “Historical Employee Matters Agreement” means the Employee Matters Agreement by and between Dallas and Houston, as amended to date.

1.46 “Houston” has the meaning set forth in the preamble to this Agreement.

1.47 “Houston 401(k) Contribution” has the meaning set forth in Section 3.1(b).

1.48 “Houston 401(k) Plan” means Houston’s 401(k) Plan as in effect as of the time relevant to the applicable provision of this Agreement.

1.49 “Houston Adjustment Ratio” means a fraction, (x) the numerator of which is the closing sale price of a share of Houston Common Stock on the New York Stock Exchange

immediately preceding the Distribution (as traded on the “regular way” market), and (y) the denominator of which is the opening sale price of a share of Everett Common Stock on the New York Stock Exchange immediately following the Effective Time (as traded on the “regular way” market).

1.50 “Houston Business” has the meaning given to that term in the Separation Agreement.

1.51 “Houston Common Stock” has the meaning given to that term in the Separation Agreement.

1.52 “Houston Destination LOA Employee” means each Everett Employee who:

(a) is on Approved Leave of Absence from an Everett Entity as of the Operational Separation Date,

(b) is allocated to the Houston Group pursuant to the OD&S Process,

(c) does not transfer to a Houston Entity as of the Operational Separation Date, and

(d) returns to, or has a right to return to, active employment (i) before the LOA Return Deadline or (ii) under circumstances in which applicable Law requires a Houston Entity to offer employment to such Everett Employee.

1.53 “Houston Employee” means any individual (a) who, as of 12:01 am local time on the Operational Separation Date, is either actively employed by, or on Approved Leave of Absence or Garden Leave from, any Houston Entity, (b) who transfers from an Everett Entity to a Houston Entity after 12:01 am local time on the Operational Separation Date and before the Distribution Date or (c) who is hired by any Houston Entity after 12:01 am local time on the Operational Separation Date; provided, however, that Houston Employee will not include any individual who transfers from a Houston Entity to an Everett Entity after 12:01 am local time on the Operational Separation Date and before the Distribution Date.

1.54 “Houston Entities” means the members of the Houston Group.

1.55 “Houston Equity Awards” means the Houston Options, Houston RSU Awards, Houston PARSU Awards, Houston DEU Accounts and Houston SARs.

1.56 “Houston ESPP” means Houston’s 2015 Employee Stock Purchase Plan.

1.57 “Houston Executive DC Plan” means Houston’s Executive Deferred Compensation Plan, in effect as of the time relevant to the applicable provision of this Agreement.

1.58 “Houston Group” has the meaning given to that term in the Separation Agreement.

1.59 “Houston Incentive Plans” means the cash-based annual or other short-term incentive plans of Houston or any Houston Entity, all as in effect as of the time relevant to the applicable provisions of this Agreement, including without limitation Houston’s 2015 Incentive Plan, as amended.

1.60 “Houston Non-Employee Director” means each member of the Houston Board of Directors as of immediately after the Effective Time who is not a Houston Employee.

1.61 “Houston Stock Plan” means Houston’s 2015 Stock Incentive Plan, including any sub-plan or addendum thereto.

1.62 “H&W Transition Period” has the meaning given to that term in Section 4.1(a)(iii).

1.63 “Individual Agreement” means any individual (a) employment contract, (b) retention, severance or change in control agreement, (c) expatriate (including any international assignee) contract or agreement (including agreements and obligations regarding repatriation, relocation, equalization of taxes and living standards in the host country), or (d) other agreement containing restrictive covenants (including confidentiality, non-competition and non-solicitation provisions) with a Houston Employee or Everett Employee that is in effect immediately prior to the Operational Separation Date.

1.64 “Liabilities” or “Liability” has the meaning given to that term in the Separation Agreement.

1.65 “LOA Return Deadline” means the date that is one (1) year after the Distribution Date.

1.66 “Merger” has the meaning set forth in the recitals to this Agreement.

1.67 “Merger Agreement” has the meaning set forth in the recitals to this Agreement.

1.68 “Merger Sub” has the meaning set forth in the recitals to this Agreement.

1.69 “Non-parties” has the meaning set forth in Section 6.4(b).

1.70 “Non-U.S. Retirement Plan” means each Houston Benefit Plan or Everett Benefit Plan, whether or not intended to be tax-qualified, the primary purpose of which is to provide retirement benefits to Houston Employees, Everett Employees and/or Former Employees who are or were employed by a Houston Entity or Everett Entity located outside of the U.S.

1.71 “OD&S Process” means Houston’s Organizational Design and Selection process, as described in Schedule 2.1(a).

1.72 “Operational Separation Date” means with respect to each applicable jurisdiction, the effective date of the Pre-Distribution Transfer Documents applicable to the Houston Entities and Everett Entities operating in such jurisdiction, provided that such date occurs before the Distribution Date.

1.73 “Option” means (a) when immediately preceded by “Houston,” an option (including a performance-contingent option (“PCSO”)) to purchase Houston Common Stock granted pursuant to the Houston Stock Plan (or granted under a historical Dallas stock plan), (b) when immediately preceded by “Chicago,” an option to purchase shares of Chicago Common Stock granted pursuant to the Chicago Stock Plan, or (c) when immediately preceded by “Everett,” an option (including a PCSO) to purchase shares of Everett Common Stock following the Effective Time outstanding pursuant to the Everett Stock Plan.

1.74 “PARSU Award” means (a) when immediately preceded by “Houston,” an award of performance-adjusted restricted stock units relating to Houston Common Stock granted under the Houston Stock Plan (or granted under a historical Dallas stock plan) for which the applicable performance conditions have not been satisfied or waived or (b) when immediately preceded by “Everett,” an award of performance-adjusted restricted stock units relating to shares of Everett Common Stock outstanding under the Everett Stock Plan.

1.75 “Parties” has the meaning set forth in the preamble to this Agreement.

1.76 “Person” has the meaning given to that term in the Separation Agreement.

1.77 “Plan Payee” means an individual who is entitled to payment of plan benefits in his or her capacity as a beneficiary with respect to the benefits of a deceased participant in the plan or an alternate payee under a qualified domestic relations order within the meaning of Section 414(p)(1)(A) of the Code and Section 206(d)(3)(B)(i) of ERISA with respect to the benefits of a participant in the plan.

1.78 “Pre-Distribution Transfer Documents” has the meaning given to that term in the Separation Agreement.

1.79 “PSU Award” means when immediately preceded by “Chicago,” an award of performance share units relating to shares of Chicago Common Stock granted under the Chicago Stock Plan.

1.80 “Record Date” has the meaning given to that term in the Separation Agreement.

1.81 “RSU Award” means (a) when immediately preceded by “Houston,” an award of service-based vesting restricted stock units relating to Houston Common Stock granted under the Houston Stock Plan (or granted under a historical Dallas stock plan), (b) when immediately preceded by “Chicago,” an award of service-based vesting restricted stock units relating to shares of Chicago Common Stock granted under the Chicago Stock Plan, or (c) when immediately preceded by “Everett,” an award of service-based vesting restricted stock units relating to shares of Everett Common Stock outstanding under the Everett Stock Plan. RSU Awards shall include any award of performance-adjusted restricted stock units for which the performance conditions have been satisfied or waived. RSU Awards shall not include DEU Accounts.

1.82 “SAR” means (a) when immediately preceded by “Houston,” a stock appreciation right relating to Houston Common Stock granted pursuant to the Houston Stock Plan (or granted under a historical Dallas stock plan), (b) when immediately preceded by “Chicago,” a stock appreciation right relating to shares of Chicago Common Stock granted pursuant to the Chicago Stock Plan, or (c) when immediately preceded by “Everett,” a stock appreciation right relating to shares of Everett Common Stock outstanding pursuant to the Everett Stock Plan.

- 1.83 “Separation Agreement” has the meaning set forth in the recitals to this Agreement.
- 1.84 “Service Provider” has the meaning set forth in the Separation Agreement.
- 1.85 “Severance Benefits” has the meaning set forth in Section 5.6(a).
- 1.86 “Subsidiary” has the meaning given to that term in the Separation Agreement.
- 1.87 “Transaction Documents” has the meaning given to that term in the Separation Agreement.
- 1.88 “Transfer Documents” has the meaning given to that term in the Separation Agreement.
- 1.89 “U.S.” means the 50 United States of America and the District of Columbia.

## **ARTICLE II GENERAL PRINCIPLES**

### **2.1 Transfer of Employees.**

(a) *Transfers Prior to Operational Separation Date.* Except as otherwise agreed by the Parties and subject to Section 2.1(b), Section 2.1(c), and Section 2.1(d), effective as of the Operational Separation Date, (i) each employee who is allocated to the Houston Group through the OD&S Process will be employed by a Houston Entity, and (ii) each employee who is allocated to the Everett Group through the OD&S Process will be employed by an Everett Entity. The OD&S Process will be conducted as set out in Schedule 2.1(a).

#### *(b) LOA Employees.*

(i) The Everett Group and the Houston Group shall use commercially reasonable efforts to ensure that (A) each Everett Destination LOA Employee becomes employed by an Everett Entity on the Operational Separation Date, if permitted by applicable Law, and otherwise as soon as possible after such employee’s return to active employment, and (B) each Houston Destination LOA Employee becomes employed by a Houston Entity on the Operational Separation Date, if permitted by applicable Law, and otherwise as soon as possible after such employee’s return to active employment.

(ii) Houston and Everett shall use commercially reasonable efforts to apply the provisions of this Agreement to any Destination LOA Employee who commences employment pursuant to this Section 2.1(b) by substituting each reference to the “Operational Separation Date” with a reference to the date that the Destination LOA Employee commences employment with the applicable destination group (if later than the Operational Separation Date) and shall reasonably cooperate to make any adjustments in the application of the provisions of this Agreement as are necessary or appropriate in order to effectuate such application.



(iii) Notwithstanding the foregoing or anything else in this Agreement to the contrary, except as may be required by applicable Law, neither Party shall be required to provide any specific compensation, benefits or other terms and conditions of employment for any Destination LOA Employee.

*(c) Non-Transfer Garden Leave Employees.*

(i) Each Houston Employee allocated to the Everett Group pursuant to the OD&S Process who (A) is on a Garden Leave as of the Operational Separation Date, and (B) does not transfer to an Everett Entity as of the Operational Separation Date shall remain on the Houston payroll and any applicable Houston Benefit Plans and the Everett Group shall reimburse the Houston Group for the cost of the compensation and benefits paid or provided to such employee during the period beginning on the Operational Separation Date and ending on the date that such employee's employment with the Houston Group terminates, and any severance costs required by Section 5.6.

(ii) Each Everett Employee allocated to the Houston Group pursuant to the OD&S Process who (A) is on a Garden Leave as of the Operational Separation Date, and (B) does not transfer to a Houston Entity as of the Operational Separation Date shall remain on the Everett payroll and any applicable Everett Benefit Plans and the Houston Group shall reimburse the Everett Group for the cost of the compensation and benefits paid or provided to such employee during the period beginning on the Operational Separation Date and ending on the date that such employee's employment with the Everett Group terminates, and any severance costs required by Section 5.6.

(iii) Houston and Everett shall cooperate in good faith to determine the basis for, and amount of, the reimbursements contemplated by this Section 2.1(c), taking into account any Tax benefits realized by reason of the payment or provision of the applicable compensation and benefits and the cost of providing any non-cash benefits.

2.2 Assumption and Retention of Liabilities; Related Assets; Management of Certain Actions.

(a) From and after the Operational Separation Date, except as expressly provided otherwise in this Agreement or in any Transfer Document, the Houston Entities shall assume or retain and Houston hereby agrees to pay, perform, fulfill and discharge, in due course in full:

(i) all Liabilities (including those arising under any Action) with respect to the employment of all Houston Employees, whether arising before, on or after the Operational Separation Date;

(ii) all Liabilities (including those arising under any Action) with respect to the employment of each Former Employee who Houston and Everett agree after reviewing available evidence was providing services primarily to the Houston Business at the time of termination of employment, whether arising before, on or after the Operational Separation Date;

(iii) fifty percent (50%) of the Liabilities (including those arising under any Action) with respect to the employment of each Former Employee who Houston and Everett are unable in good faith to agree after reviewing available evidence was providing services primarily to the Houston Business or the Everett Business at the time of termination of employment, in each case whether arising before, on or after the Operational Separation Date; and

(iv) any other Liabilities expressly assigned to Houston or any Houston Entity under this Agreement or in any Transfer Document.

All Assets held in trust to fund the Houston Benefit Plans and all insurance policies funding the Houston Benefit Plans shall be Excluded Assets (as defined in the Separation Agreement), except (A) to the extent specifically provided otherwise in this Agreement or in any Transfer Document and (B) any shares of Chicago Common Stock received by the Israeli trust funding Houston Options and Houston RSU Awards covered by Section 102 of the Israeli Income Tax Ordinance [New Version] 1961 shall be Everett Assets.

(b) From and after the Operational Separation Date, except as expressly provided otherwise in this Agreement or in any Transfer Document, the Everett Entities shall assume or retain, as applicable, and Everett hereby agrees to pay, perform, fulfill and discharge, in due course in full:

(i) all Liabilities (including those arising under any Action) with respect to the employment of all Everett Employees, whether arising before, on or after the Operational Separation Date;

(ii) all Liabilities (including those arising under any Action) with respect to the employment of each Former Employee who Houston and Everett agree after reviewing available evidence was providing services primarily to the Everett Business at the time of termination of employment, whether arising before, on or after the Operational Separation Date;

(iii) fifty percent (50%) of the Liabilities (including those arising under any Action) with respect to the employment of each Former Employee who Houston and Everett are unable in good faith to agree after reviewing available evidence was providing services primarily to the Houston Business or the Everett Business at the time of termination of employment, in each case whether arising before, on or after the Operational Separation Date; and

(iv) any other Liabilities expressly assigned to Everett or any Everett Entity under this Agreement or in any Transfer Document.

All Assets held in trust to fund the Everett Benefit Plans and all insurance policies funding the Everett Benefit Plans shall be Everett Assets (as defined in the Separation Agreement), except to the extent specifically provided otherwise in this Agreement or in any Transfer Document.

(c) Notwithstanding anything in this Agreement or the Separation Agreement to the contrary, all Liabilities with respect to compensation and benefits of Service Providers who are consultants or independent contractors shall be governed exclusively by the Separation Agreement.

(d) For the avoidance of doubt, nothing in this Agreement alters in any way the allocation of assets, liabilities, obligations and the like as between the parties to the Historical Employee Matters Agreement.

(e) Management of Actions. For any Action arising after the Effective Time:

(i) if all Liabilities arising under such Action are allocated pursuant to this Section 2.2 to Houston, the direction of such Action shall be governed by Section 6.11(b) of the Separation Agreement,

(ii) if all Liabilities arising under such Action are allocated pursuant to this Section 2.2 to Everett, the direction of such Action shall be governed by Section 6.11(a) of the Separation Agreement, and

(iii) if the Liabilities arising under such Action are allocated pursuant to this Section 2.2 in part to Houston and in part to Everett, the direction of such Action shall be governed by Section 6.11(c) or 6.11(d) of the Separation Agreement, as applicable.

2.3 Reimbursements. To the extent that this Agreement allocates to the Everett Group the Liability for compensation or benefits that will be provided under a Houston Benefit Plan after the Operational Separation Date, or allocates to the Houston Group the Liability for compensation or benefits that will be provided under an Everett Benefit Plan after the Operational Separation Date, the Party responsible for the Liability under this Agreement will promptly reimburse the Party providing the compensation or benefits.

#### 2.4 Non-Duplication of Benefits; Service Credit; Comparable Benefits.

(a) Houston and Everett shall agree on methods and procedures, including, without limitation, amending the respective Benefit Plan documents, to prevent Houston Employees, Everett Employees and Chicago Employees from receiving duplicative benefits from the Houston Benefit Plans, the Everett Benefit Plans and the Chicago Benefit Plans.

(b) Following the Closing Date, Chicago shall or shall cause Everett to provide to each Everett Employee (i) annual base salary and target annual cash incentive compensation opportunities (as a percentage of base salary) that are, in the aggregate, comparable to the annual base salary and target annual cash incentive compensation opportunities provided from time to time to similarly situated employees of Chicago, (ii) employee benefits that are comparable in the aggregate to such Everett Employee to those benefits provided from time to time to similarly situated employees of Chicago, but excluding any defined benefit pension benefits, equity compensation arrangement, stock purchase programs, retiree medical or insurance benefits, any benefits under a nonqualified deferred compensation plan or employee discount program, and (iii) severance benefits that are no less favorable to such Everett Employee to those severance benefits provided from time to time to similarly situated employees of Chicago.

(c) From and after the Closing, Everett shall give each Everett Employee and Chicago Employee full credit for determining the amount of paid time off, vacation or sick leave, and the level of employer contributions under any defined contribution retirement plan, and for purposes of eligibility to participate and vesting (but not benefit accruals (if applicable)) under any employee benefit plans, arrangements, collective agreements and employment-related entitlements (including under any applicable pension, defined contribution (for example, 401(k)), deferred compensation, savings, medical, dental, life insurance, disability, vacation, long-service leave or other leave entitlements, post-retirement health and life insurance, termination indemnity, severance or separation pay plans) provided, sponsored, maintained or contributed to by Everett or any of its Affiliates (including Chicago and its Subsidiaries) under which such Everett Employee or Chicago Employee is eligible to participate after the Closing for such Everett Employee's or Chicago Employee's service with Houston or its Subsidiaries or Chicago or its Subsidiaries, respectively, prior to the Closing, to the same extent recognized by any of Houston and its Subsidiaries or Chicago and its Subsidiaries, respectively, immediately prior to the Closing, except to the extent such credit would result in the duplication of benefits for the same period of service. For the avoidance of doubt, to the extent permitted under applicable Law, neither Chicago nor Everett shall be required to provide credit for such service for benefit accrual purposes under any employee benefit plan of Everett that is a defined benefit pension plan.

(d) For the avoidance of doubt, the provisions of this Section 2.4 shall not apply to any Houston Employee or Everett Employee who experiences a termination of employment from the Houston Group or Everett Group after the Operational Separation Date and is then hired or re-hired by either a Houston Entity or an Everett Entity, other than any Houston Destination LOA Employee who is hired by a Houston Entity or any Everett Destination LOA Employee who is hired by an Everett Entity in accordance with Section 2.1(b).

2.5 Commercially Reasonable Efforts. The Parties shall use commercially reasonable efforts to (a) enter into any necessary agreements to accomplish the assumptions and transfers of Assets and Liabilities contemplated by this Agreement, and (b) provide for the maintenance of the necessary participant records, the appointment of trustees and the engagement of recordkeepers, investment managers, providers, insurers, and other third parties reasonably necessary for maintaining and administering the Houston Benefit Plans, the Everett Benefit Plans and the Chicago Benefit Plans.

2.6 Regulatory Compliance. The Parties shall, in connection with the actions taken pursuant to this Agreement, reasonably cooperate in making any and all appropriate filings required under the Code, ERISA and any applicable securities, labor and exchange control laws, implementing all appropriate communications with participants, transferring appropriate records and taking all such other actions as the requesting party may reasonably determine to be necessary or appropriate to implement the provisions of this Agreement in a timely manner.

2.7 Payroll; Tax Reporting of Compensation.

(a) Responsibility for all applicable tax withholding and reporting obligations in respect of compensation (other than compensation attributable to equity awards) payable to Houston Employees, Everett Employees, Former Employees, Chicago Employees and Former Chicago Employees shall be governed by Article VI of the Tax Matters Agreement.

(b) To the extent that, for administrative reasons, any payment on or following the Operational Separation Date is made (i) by a Houston Entity in respect of a Liability allocated to the Everett Entities pursuant to Section 2.2 or otherwise or (ii) by an Everett Entity in respect of a Liability allocated to the Houston Entities pursuant to Section 2.2 or otherwise, such payment shall be deemed made, in the case of a payment described in clause (i), on behalf of the Everett Entities and, in the case of a payment described in clause (ii), on behalf of the Houston Entities.

### **ARTICLE III RETIREMENT PLANS**

#### **3.1 U.S. Qualified Plan Matters.**

(a) *Houston 401(k)*. Houston shall retain and be solely responsible for all Liabilities for plan benefits under the Houston 401(k) Plan relating to (i) Houston Employees, (ii) Former Employees and (iii) Everett Employees. For the avoidance of doubt, the participation of all Everett Employees in the Houston 401(k) Plan shall cease upon the Distribution Date.

(b) *Final 2017 Matching Contributions*. All company matching contributions for all participants in the Houston 401(k) Plan in respect of the fiscal quarter of Houston's fiscal year in which the Distribution Date occurs that have not been made prior to the Distribution Date will be contributed to the Houston 401(k) Plan as soon as practicable following the Distribution Date (and in no event later than 15 days following the last day of such fiscal quarter). Such contributions will be made by Houston in respect of Houston Employees and any Everett Employees whose employment with the applicable Everett Entity terminated prior to the Distribution Date (the aggregate amount thereof, the "Houston 401(k) Contribution") and will be made by Everett in respect of Everett Employees who remained employed by an Everett Entity immediately prior to the Distribution Date (the aggregate amount thereof, the "Everett 401(k) Contribution"). The amount that Houston actually contributes to the Houston 401(k) Plan pursuant to this Section 3.1(b) shall be equal to (i) the Houston 401(k) Contribution, less (ii) the aggregate amount of the forfeiture account in the Houston 401(k) Plan as of the Distribution Date multiplied by a fraction, the numerator of which is the Houston 401(k) Contribution and the denominator of which is the sum of the Houston 401(k) Contribution and the Everett 401(k) Contribution. The amount that Everett actually contributes to the Houston 401(k) Plan pursuant to this Section 3.1(b) shall be equal to (i) the Everett 401(k) Contribution, less (ii) the aggregate amount of the forfeiture account in the Houston 401(k) Plan as of the Distribution Date multiplied by a fraction, the numerator of which is the Everett 401(k) Contribution and the denominator of which is the sum of the Houston 401(k) Contribution and the Everett 401(k) Contribution.

(c) *Chicago 401(k)*. Prior to the Closing Date, Chicago shall take, or cause to be taken, or have taken, all action necessary and appropriate to establish, maintain or designate

for the benefit of Everett Employees (i) a defined contribution plan qualified under Section 401(a) of the Code that includes a cash or deferred arrangement qualified under Section 401(k) of the Code that is a participant-directed individual account plan that complies with Section 404(c) of ERISA, and (ii) a related trust or trusts exempt under Section 501(a) of the Code, each to be effective no later than the Closing Date (such plan and trust(s), the “Chicago 401(k) Plan”). In addition, Chicago shall cause the Chicago 401(k) Plan to accept eligible rollovers of the Everett Employees’ account balances from the Houston 401(k) Plan and such rollovers shall include, at the Everett Employee’s election, any loan obligation from the Houston 401(k) Plan such that the 401(k) shall assume such loan obligation. Chicago shall cause the Chicago 401(k) Plan to take, any actions that are necessary to effect such rollovers.

(d) *Houston U.S. Defined Benefit Plans*. No assets or liabilities shall be transferred as a result of this Agreement from any Houston U.S. defined benefit plan with respect to Everett Employees in the U.S. to any plan or arrangement established or maintained by Everett, and, as of the Closing, the Everett Employees in the U.S. shall cease to accrue additional benefits under any Houston defined benefit plan. For the avoidance of doubt, the provisions of this Section 3.1(d) shall not apply to Everett Employees in the U.S. who participate in any International Retirement Guarantee Program.

(e) *Remaining CAS Claims or Reimbursement on U.S. Defined Benefit Plans and Obligations Not Transferring to Everett*. Everett waives any remaining claims or reimbursements under CAS 413 due in future periods for prior or new CAS 413 Curtailments or Settlements for U.S. defined benefit plans remaining at Houston or Dallas associated with Everett Employees, if any, and transfers such amounts to Houston or Dallas per their employee agreements on and after the earlier of the Operational Separation Date or Closing Date. Similarly, Everett waives any remaining claims or reimbursements under CAS 412 due in future periods for U.S. defined benefit plans remaining at Houston or Dallas associated with Everett Employees, if any, and transfers such amounts to Houston or Dallas per their employee agreements on and after the earlier of the Operational Separation Date or Closing Date. Everett shall assist Houston and Dallas with any government audits and inquiries per the terms of Section 6.1 and 6.2, including as it pertains to Dallas U.S. defined benefit plans for CAS purposes contemplated herein.

3.2 Non-U.S. Retirement Plans. The applicable terms governing treatment of the Non-U.S. Retirement Plans shall be as set forth in Schedule 3.2.

3.3 U.S. Non-Qualified Retirement Arrangements. Everett shall notify Houston of the occurrence of (i) any payment event with respect to an Everett Employee under an HP Excess Plan and (ii) the “separation from service” under Section 409A of the Code of any Everett Employee who participates in an HP Excess Plan, whether or not such separation from service is a payment event, in each case, as promptly as practicable but in no event later than thirty (30) days thereafter, and shall promptly provide to Houston any other relevant information reasonably requested by Houston for purposes of its obligations pursuant to Section 3.4(b) of the Historical Employee Matters Agreement.

3.4 Certain International Retirement Benefits.

(a) *International Retirement Guarantee Programs.*

(i) For Houston Employees and Former Employees, Houston shall assume or retain, or cause a Houston Entity to assume or retain, all Assets and all Liabilities arising out of or relating to the International Retirement Guarantee programs maintained by any Houston Entity or Everett Entity as of the Operational Separation Date, and shall make payments to all such Houston Employees and Former Employees who participated in the International Retirement Guarantee programs as of the Operational Separation Date in accordance with the applicable terms of such programs as in effect from time to time.

(ii) For Everett Employees, Everett shall assume or retain, or cause an Everett Entity to assume or retain, all Assets and all Liabilities arising out of or relating to the International Retirement Guarantee programs maintained by any Houston Entity or Everett Entity as of the Operational Separation Date, and shall make payments to all such Everett Employees who participated in the International Retirement Guarantee programs as of the Operational Separation Date in accordance with the applicable terms of such programs as in effect from time to time.

(b) *Global Retirement Supplement.*

(i) For Houston Employees receiving cash payments pursuant to a Global Retirement Supplement program as of the Operational Separation Date, Houston shall assume or retain, or cause a Houston Entity to assume or retain, all Liabilities for the continuation of such payments after the Operational Separation Date, in accordance with the terms of the Houston Global Retirement Supplement program as in effect from time to time.

(ii) For Everett Employees receiving cash payments pursuant to a Global Retirement Supplement program as of the Operational Separation Date, Everett shall assume or retain, or cause an Everett Entity to assume or retain, all Liabilities for the continuation of such payments after the Operational Separation Date, in accordance with the terms of the Everett Global Retirement Supplement program as in effect from time to time.

**ARTICLE IV  
HEALTH AND WELFARE PLANS**

4.1 Health and Welfare Plans.

(a) Establishment of Health and Welfare Plans. Except as otherwise expressly provided in this Agreement or in any Transfer Document:

(i) Houston and Everett shall have taken all necessary action to ensure that (A) all Houston Employees and any Houston Former Employees who were participants in the Houston Health and Welfare Plans at the time of separation from employment and who remain entitled to coverage thereunder (“Houston H&W Employees”) are covered by the Houston Health and Welfare Plans and (B) all Everett

Employees and any Everett Former Employees who were participants in the Houston Health and Welfare Plans at the time of separation from employment and who remain entitled to coverage thereunder ("Everett H&W Employees") are covered by Houston Health and Welfare Plans until such time as the Everett H&W Employees are able to participate in the Chicago Health and Welfare Plans (consistent with Sections 4.1(a)(ii) and 4.1(a)(iii) below and in no event later than the end of the H&W Transition Period).

(ii) Prior to the Closing Date, Chicago shall or shall cause one of its Affiliates to take, or cause to be taken, or have taken, all action necessary and appropriate to establish or designate and administer group welfare benefit plans for the benefit of all Everett Employees effective as of the Closing Date (the "Chicago Health and Welfare Plans") and to provide benefits thereunder for all eligible Everett Employees who choose to enroll in such plans. Chicago will cause such Chicago Health and Welfare Plans to cover those Everett Employees and their dependents who immediately prior to the Closing Date were participating in, or entitled to present or future benefits under, the Houston Health and Welfare Plans (other than retiree medical benefits), and shall recognize the most recent hire date of such Everett Employee with Houston or a member of the controlled group of organizations of which Houston is a part (as defined by Section 414 of the Code and regulations issued thereunder) for purposes of determining whether such Everett Employee has met any otherwise applicable waiting period. Chicago shall use commercially reasonable efforts to (A) waive for each Everett Employee and his or her dependents, any waiting period provision, payment requirement to avoid a waiting period, pre-existing condition limitation, actively-at-work requirement and any other restriction that would prevent immediate or full participation under the Chicago Health and Welfare Plans applicable to (or was previously satisfied by) such Everett Employee to the extent such waiting period, pre-existing condition limitation, actively-at-work requirement or other restriction would not have been applicable to such Everett Employee under the terms of the Houston Health and Welfare Plans immediately prior to the Closing, and (B) give full credit under the Chicago Health and Welfare Plans applicable to each Everett Employee and his or her dependents for all co-payments and deductibles satisfied prior to the Closing in the Closing Plan Year, and for any lifetime maximums, as if there had been a single continuous employer.

(iii) To the extent that Everett H&W Employees are not able to enroll in the Chicago Health and Welfare Plans as of the Closing Date due to applicable provisions of the Chicago Health and Welfare Plans, such Everett H&W Employees shall remain covered by the Houston Health and Welfare Plans (with the cost (including administrative expenses) of such continued participation paid by Chicago to Houston) until the first available entry point for such Everett H&W Employees in the Chicago Health and Welfare Plans (such time period, not to extend farther than December 31, 2017, the "H&W Transition Period"). The Parties agree to cooperate, as necessary, during the H&W Transition Period, including with respect sharing of required employee records.

(iv) Houston shall be responsible for all Liabilities relating to, arising out of or resulting from (A) health and welfare coverage (including COBRA continuation coverage) for Houston H&W Employees and their covered dependents and (B) claims incurred by Houston H&W Employees under the Houston Health and Welfare Plans prior to, on or following the Operational Separation Date.



(v) Everett shall be responsible for all Liabilities (other than retiree medical benefits) relating to, arising out of or resulting from (A) health and welfare coverage (including COBRA continuation coverage) for Everett H&W Employees and their covered dependents and (B) claims incurred by Everett H&W Employees under the Houston Health and Welfare Plans prior to, on or following the Operational Separation Date. Chicago shall be responsible for all Liabilities relating to, arising out of or resulting from (A) health and welfare coverage (including COBRA continuation coverage) for Everett H&W Employees and their covered dependents and (B) claims incurred by Everett H&W Employees under the Houston Health and Welfare Plans (other than retiree medical benefits) on or following the Closing Date.

(vi) Chicago shall be solely responsible for ensuring that Everett and Chicago comply with the reporting obligations under Section 6056 of the Code (Reporting of Offers of Coverage) and 6056 of the Code (Reporting of Enrollment in Minimum Essential Coverage) with respect to Everett Employees and Chicago Employees, respectively, for the period of the year following the Closing Date in the year in which the Closing occurs, for which Everett or Chicago has a reporting obligation, provided that Houston shall be responsible for complying with all reporting obligations with respect to Everett Employees for the period of the year prior to and including the Closing Date in the year in which Closing occurs.

(b) Claims Incurrence. For purposes of this Section 4.1, a claim is deemed to be incurred: (i) with respect to medical, dental, vision and/or prescription drug benefits, on the date the health services giving rise to such claim are rendered; (ii) with respect to life insurance, accidental death and dismemberment and business travel accident insurance, on the date the event giving rise to such claim occurs; and (iii) with respect to disability benefits, on the date a person's disability begins, as determined by the disability benefit insurance carrier or claim administrator, giving rise to such claim.

(c) Subrogation. The Parties will work in good faith to address any issues with respect to settlements or special handling of any subrogation claims.

(d) COBRA Compliance.

(i) Effective as of the Operational Separation Date, Houston or another Houston Entity shall be responsible for administering compliance with the health care continuation requirements of COBRA with respect to Houston Employees, Everett Employees and Former Employees and their respective covered dependents who incur a COBRA qualifying event under the Houston Health and Welfare Plans at any time before, on or after the Operational Separation Date.

(ii) Houston and Everett agree that the consummation of the transactions contemplated by this Agreement and the Separation Agreement shall not constitute a COBRA qualifying event for any purpose of COBRA.

(e) Retiree Medical.

(i) *Retirement Medical Savings Account Program.*

(A) Effective as of the Operational Separation Date, for each Houston Employee, Former Employee and Everett Employee Houston shall retain, or cause the applicable Houston Entity to retain, all Liabilities for (I) the balance in the Houston retirement medical savings account program of such Houston Employee, Former Employee or Everett Employee and (II) all claims, whether arising before, on or after the Operational Separation Date, under the Houston retirement medical savings account program of such Houston Employee, Former Employee or Everett Employee.

(B) Effective as of the Operational Separation Date, Everett Employees and Former Everett Employees shall cease participation in the Houston retirement medical savings account program.

(ii) *Employee Pay All Retiree Medical.*

(A) From and after the Operational Separation Date, Houston shall retain or assume, as applicable, and Houston hereby agrees to pay, perform, fulfill and discharge, in due course, all Liabilities for all eligible Houston Employees, Former Employees and Everett Employees under all employee-pay-all retiree medical programs maintained in the U.S. by any Houston Entity as of immediately prior to the Operational Separation Date.

(B) Effective as of the Operational Separation Date, Everett Employees and Former Everett Employees in the U.S. shall cease participation in the employee-pay-all retiree medical program maintained by Houston.

(iii) *Brazil Retiree Medical Plan.*

(C) From and after the Operational Separation Date, Houston shall retain or assume, as applicable, and Houston hereby agrees to pay, perform, fulfill and discharge, in due course, all Liabilities for all eligible Houston Employees, Former Employees and Everett Employees under any retiree medical program maintained by any Houston Entity or Everett Entity as of immediately prior to the Operational Separation Date for current and former employees in Brazil.

(D) Effective as of the Operational Separation Date, Everett Employees and Former Everett Employees in Brazil shall cease participation in any retiree medical program maintained by any Houston Entity or Everett Entity.

(iv) *Canada Retiree Medical Plan.*

(E) From and after the Operational Separation Date, Houston shall retain or assume, as applicable, and Houston hereby agrees to pay, perform, fulfill and discharge, in due course, all Liabilities for all eligible Houston Employees,

Former Employees and Everett Employees under any retiree medical program maintained by any Houston Entity or Everett Entity as of immediately prior to the Operational Separation Date for current and former employees in Canada.

(F) Effective as of the Operational Separation Date, Everett Employees and Former Everett Employees in Canada shall cease participation in any retiree medical program maintained by any Houston Entity or Everett Entity.

(f) Vacation; Paid Time Off. For the avoidance of doubt, (i) to the extent that applicable Law requires that vacation or other paid time off accrued by an employee during employment with the Houston Group be paid to such employee in cash upon his or her commencement of employment with the Everett Group pursuant to Section 2.1 of this Agreement, the Everett Group shall be solely responsible for all Liabilities in respect of such payment and (ii) to the extent that applicable Law requires that vacation or other paid time off accrued by an employee during employment with the Everett Group be paid to such employee in cash upon his or her commencement of employment with the Houston Group pursuant to Section 2.1 of this Agreement, the Houston Group shall be solely responsible for all Liabilities in respect of such payment. On the Closing Date, Everett shall provide the Everett Employees and Chicago Employees with the same vested and unvested balances of vacation and or other paid time off as credited to the Everett Employees or Chicago Employees on Houston's or its Affiliate's or Chicago's or its Affiliate's, respectively, payroll system immediately prior to the Closing Date to the extent reflected or reserved for in Houston's or its Affiliates or Chicago's or its Affiliate's, respectively, financial statements as of the Closing Date, except for any such balances that have been paid to such Everett Employees or Chicago Employees in accordance with this Section 4.1(f).

4.2 Workers' Compensation Liabilities. The treatment of workers' compensation liabilities in connection with the Separation shall be governed by the Separation Agreement.

## **ARTICLE V EXECUTIVE BENEFITS AND OTHER BENEFITS**

5.1 Annual Incentive Plans. Effective as of the end of Houston's 2016 fiscal year, Houston and Everett shall have taken such actions, or caused the taking of such actions, as are necessary to ensure that for fiscal year 2017, (i) all Houston Employees are covered by the Houston Incentive Plans and (ii) all Everett Employees are covered by the Everett Incentive Plans. Houston shall be solely responsible for determining the amount of, and paying, all awards due to be paid to Houston Employees and Former Employees who were participants in the Houston Incentive Plans at the time of separation from employment, under the Houston Incentive Plans, whether earned before, on or after the Operational Separation Date. Everett shall be responsible for determining, subject to the reasonable approval of Chicago, the amount, and paying, of all awards due to be paid to Everett Employees and Former Employees who were participants in the Everett Incentive Plans at the time of separation from employment, under the Everett Incentive Plans, whether earned before, on or after the Operational Separation Date.

5.2 Stock Plans. Houston, Everett and Chicago shall use commercially reasonable efforts to take all actions necessary or appropriate so that each outstanding Houston Equity

Award held by an Everett Employee under the Houston Stock Plan and each outstanding Chicago Equity Award held by a Chicago Employee under a Chicago Stock Plan shall be adjusted and converted as set forth in this Section 5.2 and any performance measures with respect thereto shall be equitably adjusted. Following the Separation, for any award adjusted under this Section 5.2, any reference to a “change in control,” “change of control,” “ownership change event,” or similar definition in an award agreement, employment agreement, the Houston Stock Plan, a Chicago Stock Plan or other Houston or Chicago plan or policy, such reference shall be deemed to refer to a “change in control,” “change of control,” “ownership change event,” or similar event relating to Everett. For the avoidance of doubt, if the Exchange Ratio (as defined in the Merger Agreement) is adjusted, the conversion of Chicago Equity Awards to Everett Equity Awards will be adjusted in accordance with the Exchange Ratio in the Merger Agreement.

(a) *Options.*

(i) *Outstanding Houston Options (including PCSOs) and Houston SARs Held by Everett Employees.* Each Houston Option and Houston SAR held by an Everett Employee who remains employed by an Everett Entity as of immediately prior to the Effective Time, in each case that is outstanding and unexercised as of immediately prior to the Effective Time, shall be converted into an Everett Option or an Everett SAR, as applicable, and shall otherwise be subject to the same terms and conditions after the Effective Time as the terms and conditions applicable to the corresponding Houston Option or Houston SAR immediately prior to the Effective Time; provided, however, that from and after the Effective Time:

(A) the number of shares of Everett Common Stock subject to such Everett Option or Everett SAR, rounded down to the nearest whole number of shares, shall be equal to the product obtained by multiplying (A) the number of shares of Houston Common Stock subject to the corresponding Houston Option or Houston SAR immediately prior to the Effective Time by (B) the Houston Adjustment Ratio; and

(B) the per share exercise price of such Everett Option or Everett SAR, rounded up to the nearest whole cent, shall be equal to the quotient obtained by dividing (A) the per share exercise price of the corresponding Houston Option or Houston SAR immediately prior to the Effective Time by (B) the Houston Adjustment Ratio.

(ii) *Outstanding Chicago Options and Chicago SARs Held by Chicago Employees.* Each Chicago Option and Chicago SAR held by a Chicago Employee who remains employed by a Chicago Entity as of immediately prior to the Effective Time, in each case that is outstanding and unexercised as of immediately prior to the Effective Time, shall be converted into an Everett Option or an Everett SAR, as applicable, and shall otherwise be subject to the same terms and conditions after the Effective Time as the terms and conditions applicable to the corresponding Chicago Option or Chicago SAR immediately prior to the Effective Time.

*(b) RSU Awards.*

(i) *Outstanding Houston RSU Awards Held by Everett Employees.* Each Everett RSU Award held by an Everett Employee who remains employed by an Everett Entity as of immediately prior to the Effective Time, that is outstanding as of immediately prior to the Effective Time, shall be converted into an Everett RSU Award, and shall otherwise be subject to the same terms and conditions after the Effective Time as the terms and conditions applicable to the corresponding Houston RSU Award immediately prior to the Effective Time, including any deferral election applicable to the delivery of vested shares; provided, however, that from and after the Effective Time, the number of shares of Everett Common Stock to which such Everett RSU Award relates shall be equal to the product, rounded down to the nearest whole number of shares, obtained by multiplying (i) the number of Houston Common Shares to which the corresponding Houston RSU Award related immediately prior to the Effective Time by (ii) the Houston Adjustment Ratio.

(ii) *Outstanding Chicago RSU Awards Held by Chicago Employees.* Each Chicago RSU Award, including dividend equivalents, held by a Chicago Employee who remains employed by a Chicago Entity as of immediately prior to the Effective Time, that is outstanding as of immediately prior to the Effective Time, shall be converted into an Everett RSU Award, and shall otherwise be subject to the same terms and conditions after the Effective Time as the terms and conditions applicable to the corresponding Chicago RSU Award immediately prior to the Effective Time, including any deferral election applicable to the delivery of vested shares.

*(c) DEU Accounts.*

(i) *Outstanding Houston DEU Accounts Held by Everett Employees.* Each Houston DEU Account held by an Everett Employee who remains employed by an Everett Entity as of immediately prior to the Effective Time, that is outstanding as of immediately prior to the Effective Time, shall be converted into an Everett DEU Account, and shall otherwise be subject to the same terms and conditions after the Effective Time as the terms and conditions applicable to the corresponding Houston DEU Account immediately prior to the Effective Time, including any deferral election applicable to the delivery of vested shares; provided, however, that from and after the Effective Time, the number of shares of Everett Common Stock to which such Everett DEU Account relates shall be equal to the product, rounded to four decimal places, obtained by multiplying (i) the number of Houston Common Shares to which the corresponding Everett DEU Account related immediately prior to the Effective Time by (ii) the Houston Adjustment Ratio.

*(d) PARSU and PSU Awards.*

(i) *Outstanding Houston PARSU Awards Held by Everett Employees.* Each Houston PARSU Award held by an Everett Employee who remains employed by an Everett Entity as of immediately prior to the Effective Time, that is outstanding as of immediately prior to the Effective Time, shall be converted into an Everett PARSU

Award, and shall otherwise be subject to the same terms and conditions after the Effective Time as the terms and conditions applicable to the corresponding Houston PARSU Award immediately prior to the Effective Time, including any deferral election applicable to the delivery of vested shares; provided, however, that from and after the Effective Time: the number of shares of Everett Common Stock to which such Everett PARSU Award relates shall be equal to the product, rounded down to the nearest whole number of shares, obtained by multiplying (A) the number of Houston Common Shares to which the corresponding Everett PARSU Award related immediately prior to the Effective Time by (B) the Houston Adjustment Ratio.

(ii) *Outstanding Chicago PSU Awards Held by Chicago Employees.* Each Chicago PSU Award held by a Chicago Employee who remains employed by a Chicago Entity as of immediately prior to the Effective Time, that is outstanding as of immediately prior to the Effective Time, shall be converted into an Everett PARSU Award, and shall otherwise be subject to the same terms and conditions after the Effective Time as the terms and conditions applicable to the corresponding Chicago PSU Award immediately prior to the Effective Time, including any deferral election applicable to the delivery of vested shares.

(e) *Awards Outstanding May 24, 2016.* Houston has advised Chicago of its intention to cause the vesting of all Houston Equity Awards held by Everett Employees as of May 24, 2016 under the Houston Stock Plan to be accelerated in full on the Distribution Date and Houston shall be solely responsible for the settlement of such Houston Equity Awards, except in the case of Houston Options and Houston SARs that remain unexercised as of the Distribution Date. Each Houston Option and Houston SAR that shall vest pursuant to this Section 5.2(e) shall be converted into an Everett Option and Everett SAR, respectively, as of the Effective Time in accordance with the conversion procedures set forth in Section 5.2(a).

(f) *Assumption of Awards.* Effective as of no later than immediately prior to the Effective Time, Everett shall have taken any necessary and appropriate actions to enable Everett and the Everett Stock Plan to assume the awards converted pursuant to this Section 5.2.

(g) *Registration and Other Regulatory Requirements.* Prior to the Effective Time, Everett shall have filed a Form S-8 registration statement with respect to, and caused to be registered pursuant to the Securities Act of 1933, as amended, the Everett Common Stock authorized for issuance under the awards converted pursuant to this Section 5.2. The parties shall take such additional actions as are deemed necessary or advisable to comply with securities laws and other legal requirements associated with equity compensation awards in affected non-U.S. jurisdictions.

5.3 Employee Stock Purchase Plan. The administrator of the Houston ESPP shall take all commercially reasonable actions necessary and appropriate to provide that Everett Employees will not be eligible to participate in any offering periods under the Houston ESPP after the Operational Separation Date. All amounts withheld by Houston on behalf of Everett Employees in the Houston ESPP that have not been used to purchase Houston Common Stock prior to the Operational Separation Date will be returned to the Everett Employees pursuant to the terms of the Houston ESPP.

#### 5.4 Employment Agreements.

(a) *Assignment.* Subject to applicable Law and except (i) as provided otherwise in the Transfer Documents, (ii) in the event an Individual Agreement is superseded, or (iii) as otherwise agreed by Houston and Everett, effective as of the Operational Separation Date, (A) Houston shall have assigned, or caused a Houston Entity to assign, to an Everett Entity designated by Everett, all Individual Agreements between any Everett Employee and any Houston Entity and (B) Everett shall have assigned, or caused an Everett Entity to assign, to a Houston Entity designated by Houston, all Individual Agreements between any Houston Employee and any Everett Entity; provided, however, that to the extent that assignment of any applicable Individual Agreement is not permitted by the terms of such agreement, effective as of the Operational Separation Date, (1) with respect to Individual Agreements described in clause (A), each member of the Everett Group shall be considered to be a successor to each member of the Houston Group for purposes of, and a third-party beneficiary with respect to, such Individual Agreement, such that each member of the Everett Group shall enjoy all of the rights and benefits under such agreement (including rights and benefits as a third-party beneficiary) and (2) with respect to Individual Agreements described in clause (B), each member of the Houston Group shall be considered to be a successor to each member of the Everett Group for purposes of, and a third-party beneficiary with respect to, such Individual Agreement, such that each member of the Houston Group shall enjoy all of the rights and benefits under such agreement (including rights and benefits as a third-party beneficiary).

(b) *Assumption.* Effective as of the Operational Separation Date, (i) Everett will assume and honor, or will cause a member of the Everett Group to assume and honor, the Individual Agreements assigned to Everett or a member of the Everett Group pursuant to Section 5.4(a)(A) and any Individual Agreements that provide for base compensation in excess of \$400,000 shall be listed on Schedule 5.4(b) and (ii) Houston will assume and honor, or will cause a member of the Houston Group to assume and honor, any Individual Agreement assigned to Houston or a member of the Houston Group pursuant to Section 5.4(a)(B). From and after the Closing Date, Everett shall, or shall cause Chicago to, assume and honor all liabilities and obligations to or in respect of the Individual Agreements assigned to Everett or a member of the Everett Group pursuant to Section 5.4(a)(A) to which any Everett Entity is a party, as in effect immediately prior to the Closing.

#### 5.5 Executive DC Plans.

(a) Everett Employees shall not be permitted to defer compensation to the Houston Executive DC Plan on or after the Closing Date.

(b) Effective immediately prior to the Closing Date, Everett shall take, or cause to be taken, or have taken, all action necessary and appropriate to assume the Chicago Executive DC Plan, including all assets and liabilities thereof, and all accounts for Chicago Employees and Former Chicago Employees and all existing elections thereunder, and shall make the Chicago Executive DC Plan available to Everett Employees in addition to Chicago Employees (such plan, the “Everett Executive DC Plan”).

Notwithstanding the foregoing, neither Chicago nor Everett shall be under any obligation to offer any employees or directors the opportunity to make future deferral elections under the Everett Executive DC Plan, and if it does,

neither Chicago nor Everett shall be under any obligation to make deferral elections available under the same terms as applied under the Houston Executive DC Plan. From and after the Closing Date, Everett shall be solely and exclusively responsible for all obligations and liabilities with respect to, or in any way related to, the Everett Executive DC Plan, whether accrued before, on or after the Closing Date. The Everett Executive DC Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, and Department of Labor Regulation § 2520.104-23. The Everett Executive DC Plan shall not be a funded plan, and neither Everett nor any of its Affiliates is under any obligation to set aside any funds for the purpose of making payments under the Everett Executive DC Plan.

(c) Immediately prior to the Closing Date, Houston shall cause the Houston Executive DC Plan to transfer to the Everett Executive DC Plan, and Everett will cause such Everett Executive DC Plan to accept the transfer of, the accounts of participants in the Houston Executive DC Plan who are Everett Employees or Former Everett Employees, as well as any respective Plan Payees. Houston will not transfer to Everett thereof any assets that are earmarked for the payment of benefits with respect to these transferred interests. Prior to the Closing Date and as permitted by Section 409A of the Code, Everett will cause the Everett Executive DC Plan to recognize and maintain existing elections, including deferral, payment form elections, and beneficiary designations with respect to Everett Employees and Former Everett Employees, as well as any respective Plan Payees, under the Houston Executive DC Plan, but Everett is under no obligation to recognize or maintain the investment elections and options under the Houston Executive DC Plan. The transfer of elections contemplated in this Section 5.6(c) shall be expressly conditioned on Houston providing to Everett, no later than thirty (30) days prior to the Closing Date, a data report of all elections (other than investment elections) made by the Everett Employees or Former Everett Employees under the Houston Executive DC Plan, in a format reasonably acceptable to Everett and consistent with historical reporting for the Houston Executive DC Plan. Within fourteen (14) days following the Closing Date, Houston or one of its Affiliates shall transfer to Everett an amount in cash equal to the sum of the value of each of the existing subaccounts under the Houston Executive DC Plan with respect to each of the participants in the Houston Executive DC Plan who are Everett Employees or Former Everett Employees, as well as any respective Plan Payees, determined as of the last day of the last full calendar month preceding the Closing Date. The recordkeeper for the Houston Executive DC Plan shall make this determination pursuant to the terms of the Houston Executive DC Plan and its customary rules for valuing such subaccounts (to the extent such rules do not conflict with the terms of the Houston Executive DC Plan). The Parties will cooperate in good faith so that the transfers contemplated by this Section 5.6 will not result in adverse tax consequences under Section 409A of the Code.

#### 5.6 Severance.



(a) *Severance Liabilities of Everett.* Everett shall be solely responsible for all Liabilities in respect of all the costs of providing benefits under any applicable severance, separation, redundancy, termination or similar plan, program, practice, contract, agreement, law or regulation (such benefits to include any medical or other welfare benefits, outplacement benefits, accrued vacation, and taxes) (collectively, “Severance Benefits”) relating to:

- (i) the termination or alleged termination of employment of any Everett Employee (other than any such employee covered by Section 5.6(b)) that occurs on or after the Operational Separation Date; and
- (ii) an Everett Employee’s or Everett Destination LOA Employee’s acceptance of an offer of employment from an Everett Entity in connection with the separation of Houston and Everett; and
- (iii) Former Employees in accordance with the provisions of Section 2.2(b).

(b) *Severance Liabilities of Houston.* Houston shall be solely responsible for all Liabilities in respect of all the costs of providing the Severance Benefits relating to:

- (i) the termination or alleged termination of employment of any Houston Employee (other than any such employee covered by Section 5.6(a)) that occurs on or after the Distribution Date; and
- (ii) a Houston Employee’s or Houston Destination LOA Employee’s acceptance of an offer of employment from a Houston Entity in connection with the separation of Houston and Everett; and
- (iii) Former Employees in accordance with the provisions of Section 2.2(a).

(c) *Severance Benefits in Excess of Statutory Minimum.*

(i) Any Severance Benefits in excess of the applicable statutory minimum severance benefits to be provided by a Houston Entity and reimbursed by an Everett Entity pursuant to the terms of this Agreement shall be subject to the reasonable prior review and approval of Everett, and Chicago but only if such severance benefits are being paid to an executive in an amount equal to or greater than 3 times such executive’s annual compensation, other than, in any case, with respect to any such amounts mandated by a plan or agreement in effect prior to the Operational Separation Date and the date of the Merger Agreement.

(ii) Any Severance Benefits in excess of the applicable statutory minimum severance benefits to be provided by an Everett Entity and reimbursed by a Houston Entity, pursuant to the terms of this Agreement, shall be subject to the reasonable prior review and approval of Houston, other than with respect to any such amounts mandated by a plan or agreement in effect prior to the Operational Separation Date.

5.7 Mobility Benefits. All Liabilities in respect of mobility payments and benefits that are due to Houston Employees, Everett Employees and Former Employees after the Operational Separation Date will be governed by Sections 2.2(a)(i)-(iii) and 2.2(b)(i)-(iii).

## **ARTICLE VI GENERAL AND ADMINISTRATIVE**

6.1 Sharing of Participant Information. Subject to applicable Laws, the Parties shall share, and Houston shall cause each other Houston Entity to share, and Everett shall cause each other Everett Entity to share with each other and their respective agents and vendors (without obtaining releases) all participant information necessary for the efficient and accurate administration of each of the Everett Benefit Plans, the Houston Benefit Plans and the Chicago Benefit Plans, as applicable. The Parties and their respective authorized agents shall, subject to applicable laws, be given reasonable and timely access to, and may make copies of, all information relating to the subjects of this Agreement in the custody of the other Party, to the extent necessary for such administration. Until the Distribution Date, all participant information shall be provided in the manner and medium applicable to participating companies in Houston Benefit Plans generally, and thereafter all participant information shall be provided in a manner and medium as may be mutually agreed to by Houston, Chicago and Everett.

6.2 Reasonable Efforts/Cooperation. Each of the Parties hereto will use its commercially reasonable efforts to promptly take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate the transactions contemplated by this Agreement. Each of the Parties hereto shall cooperate fully on any issue relating to the transactions contemplated by this Agreement for which the other Party seeks a determination letter or private letter ruling from the Internal Revenue Service, an advisory opinion from the Department of Labor or any other filing (including, but not limited to, securities, labor law or exchange control filings (remedial or otherwise)), consent or approval with respect to or by a governmental agency or authority in any jurisdiction in the U.S. or abroad.

6.3 No Third-Party Beneficiaries. This Agreement is solely for the benefit of the Parties and is not intended to confer upon any other Persons any rights or remedies hereunder. Except as expressly provided in this Agreement, nothing in this Agreement shall preclude Houston or any other Houston Entity, at any time after the Distribution Date, from amending, merging, modifying, terminating, eliminating, reducing, or otherwise altering in any respect any Houston Benefit Plan, any benefit under any Benefit Plan or any trust, insurance policy or funding vehicle related to any Houston Benefit Plan. Except as expressly provided in this Agreement, nothing in this Agreement shall preclude Everett or any other Everett Entity, at any time after the Distribution Date, from amending, merging, modifying, terminating, eliminating, reducing, or otherwise altering in any respect any Everett Benefit Plan, any benefit under any Benefit Plan or any trust, insurance policy or funding vehicle related to any Everett Benefit Plan. Except as expressly provided in this Agreement, nothing in this Agreement shall preclude Chicago or any of its Subsidiaries, at any time after the Closing Date, from amending, merging, modifying, terminating, eliminating, reducing, or otherwise altering in any respect any Chicago Benefit Plan, any benefit under any Chicago Benefit Plan or any trust, insurance policy or funding vehicle related to any Chicago Benefit Plan.

6.4 Audit Rights With Respect to Information Provided.

(a) Each of Houston and Everett, and their duly authorized representatives, shall have the right, subject to applicable Laws, to conduct reasonable audits with respect to all information required to be provided to it by the other Party under this Agreement. The Party conducting the audit (the “Auditing Party”) may adopt reasonable procedures and guidelines for conducting audits and the selection of audit representatives under this Section 6.4. The Auditing Party shall have the right to make copies of any records at its expense, subject to any restrictions imposed by applicable laws and to any confidentiality provisions set forth in the Separation Agreement, which are incorporated by reference herein. The Party being audited shall provide the Auditing Party’s representatives with reasonable access during normal business hours to its operations, computer systems and paper and electronic files, and provide workspace to its representatives. After any audit is completed, the Party being audited shall have the right to review a draft of the audit findings and to comment on those findings in writing within thirty business days after receiving such draft.

(b) The Auditing Party’s audit rights under this Section 6.4 shall include the right to audit, or participate in an audit facilitated by the Party being audited, of any Subsidiaries and Affiliates of the Party being audited and to require the other Party to request any benefit providers and third parties with whom the Party being audited has a relationship, or agents of such Party, to agree to such an audit to the extent any such Persons are affected by or addressed in this Agreement (collectively, the “Non-parties”). The Party being audited shall, upon written request from the Auditing Party, provide an individual (at the Auditing Party’s expense) to supervise any audit of a Non-party. The Auditing Party shall be responsible for supplying, at the Auditing Party’s expense, additional personnel sufficient to complete the audit in a reasonably timely manner. The responsibility of the Party being audited shall be limited to providing, at the Auditing Party’s expense, a single individual at each audited site for purposes of facilitating the audit.

6.5 Fiduciary Matters. It is acknowledged that actions required to be taken pursuant to this Agreement may be subject to fiduciary duties or standards of conduct under ERISA or other applicable law, and no Party shall be deemed to be in violation of this Agreement if it fails to comply with any provisions hereof based upon its good faith determination that to do so would violate such a fiduciary duty or standard. Each Party shall be responsible for taking such actions as are deemed necessary and appropriate to comply with its own fiduciary responsibilities and shall fully release and indemnify the other Party for any Liabilities caused by the failure to satisfy any such responsibility.

6.6 Consent of Third Parties. If any provision of this Agreement is dependent on the consent of any third party (such as a vendor) and such consent is withheld, the Parties hereto shall use commercially reasonable efforts to implement the applicable provisions of this Agreement to the full extent practicable. If any provision of this Agreement cannot be implemented due to the failure of such third party to consent, the Parties hereto shall negotiate in good faith to implement the provision in a mutually satisfactory manner. The phrase “commercially reasonable efforts” as used herein shall not be construed to require any Party to incur any non-routine or unreasonable expense or Liability or to waive any right.

## **ARTICLE VII MISCELLANEOUS**

7.1 Effect If Effective Time Does Not Occur. If the Separation Agreement is terminated prior to the Effective Time, then this Agreement shall terminate and all actions and events that are, under this Agreement, to be taken or occur effective immediately prior to or as of the Effective Time, or as of the Distribution Date, or otherwise in connection with the Separation Transactions, shall not be taken or occur except to the extent specifically agreed by the Parties.

7.2 Amendment. This Agreement may be amended and any provision of this Agreement may be waived; provided that any such amendment or waiver will be binding upon a Party only if such amendment or waiver is set forth in a writing and executed by each Party. No course of dealing between or among any Persons having any interest in this Agreement will be deemed effective to modify, amend or discharge any part of this Agreement or any rights or obligations of any Party hereto under or by reason of this Agreement. Notwithstanding the foregoing, if the Merger Agreement is terminated for any reason prior to its consummation, Houston and Everett shall have the authority to amend this Agreement to remove the references to, and participation of, Chicago as a party to this Agreement, in their sole discretion, without the written consent of Chicago.

7.3 Relationship of Parties. Nothing in this Agreement shall be deemed or construed by the Parties or any third party as creating the relationship of principal and agent, partnership or joint venture between the Parties, it being understood and agreed that no provision contained herein, and no act of the Parties, shall be deemed to create any relationship between the Parties other than the relationship set forth herein.

7.4 Affiliates. Each of Houston, Chicago and Everett shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement to be performed by another Houston Entity, a Subsidiary of Chicago or an Everett Entity, respectively.

7.5 Transfer Documents. Notwithstanding anything to the contrary in this Agreement, to the extent that any provision of this Agreement is inconsistent with a provision of any Transfer Document, the applicable provision of the Transfer Document shall control.

7.6 Incorporation of Separation Agreement Provisions. The following provisions of the Separation Agreement are hereby incorporated herein by reference, and unless otherwise expressly specified herein, such provisions shall apply as if fully set forth herein mutatis mutandis (references in this Section 7.6 to an "Article" or "Section" shall mean Articles or Sections of the Separation Agreement, and references in the material incorporated herein by reference shall be references to the Separation Agreement): Article V (relating to Releases); Sections 6.1-6.9 (relating to Indemnification); Section 7.2 (relating to Confidentiality); Article VIII (relating to Dispute Resolution); and Article IX (relating to Miscellaneous).

7.7 Section 409A of the Code. The Parties acknowledge that the provisions of this Agreement, the Separation Agreement and any Transaction Documents shall be interpreted and implemented in a manner that is intended to avoid the imposition on Houston Employees,

Everett Employees, Former Employees, Chicago Employees, Former Chicago Employees, Houston Non-Employee Directors, Everett Non-Employee Directors or Chicago Non-Employee Directors of taxes under Section 409A of the Code. Notwithstanding the foregoing, neither the Parties nor any of their Affiliates shall have any liability to any Houston Employee, Everett Employee, Former Employee, Chicago Employee, Former Chicago Employee, Houston Non-Employee Director, Everett Non-Employee Director or Chicago Non-Employee Director in the event that Section 409A applies to any payment in a manner that results in adverse tax consequences for such individual.

*[Remainder of Page Intentionally Left Blank.]*

IN WITNESS WHEREOF, the Parties have caused this Employee Matters Agreement to be duly executed as of the day and year first above written.

**Hewlett Packard Enterprise Company**

By: \_\_\_\_\_  
Name:  
Title:

**Everett SpinCo, Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**Computer Sciences Corporation**

By: \_\_\_\_\_  
Name:  
Title:

*[Signature page to the Employee Matters Agreement]*

**REAL ESTATE MATTERS AGREEMENT**

This Real Estate Matters Agreement (this “Agreement”) is entered into on \_\_\_\_\_, 201\_\_\_\_, by and between HEWLETT PACKARD ENTERPRISE COMPANY, a Delaware corporation (“Houston”) and EVERETT SPINCO, INC., a Delaware corporation (“Everett”).

**RECITALS:**

WHEREAS, effective as of the Go Live Date and in accordance with the Separation and Distribution Agreement dated as of \_\_\_\_\_, 201\_\_\_\_ by and between the parties (the “Separation Agreement”), Houston has transferred or will transfer to Everett, certain assets owned by Houston but necessary to the Everett Business;

WHEREAS, effective as of the Go Live Date and in accordance with the Separation Agreement, Everett has transferred or will transfer to Houston, certain assets owned by Everett but necessary to the Houston Business; and

WHEREAS, the parties desire to set forth certain agreements regarding real estate matters.

NOW, THEREFORE, in consideration of the foregoing, the covenants and agreements set forth below, and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

**ARTICLE I****DEFINITIONS**

Section 1.1 Definitions. The following terms, as used herein, shall have the meanings stated below. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Separation Agreement.

(a) “Actual Completion Date” means, with respect to each Houston Property and each Everett Property, the date upon which completion of the transfer, assignment, lease or sublease of that property actually takes place.

(b) “Additional Properties” means any leased or owned properties acquired by Houston or Everett after the date of the Separation Agreement and before the Go Live Date.

(c) “Allocation Principle” means the principle that: (1) (A) any properties that are over 50% occupied by one party will be allocated in full to such party, except (B) sites where significant investments in infrastructure by one party (e.g. labs, data centers) may prompt an alternative strategy; and (2) the party with less than 50% occupancy is generally proposed to move to another location to enable consolidation of other operations by the majority occupier.

(d) “Colocation Sites Spreadsheet” means the spreadsheet prepared by Houston entitled “Colocation Sites” and attached as Schedule 2, as updated from time to time prior to the Go Live Date by mutual written agreement of the parties.

(e) “Employee Matters Agreement” means that certain Employee Matters Agreement, dated \_\_\_\_\_, 201\_\_\_\_, by and among Houston, Everett, and Computer Sciences Corporation, a Nevada corporation.

(f) “Everett Lease” means, in relation to each Everett Property, the lease(s) or sublease(s) or license(s) under which Everett or its applicable Subsidiary holds such Everett Property and any other supplemental document completed prior to the Actual Completion Date.

(g) “Everett Leased Properties” means those Properties identified as “Leased” by Everett and its Subsidiaries and listed in the Owned and Leased Properties Spreadsheet, which Properties are currently under lease by Everett (or its Subsidiaries) and will be transferred by lease assignment to Houston (or its Subsidiaries) as of the Go Live Date.

(h) “Everett Leaseback Properties” means each of (a) those Everett Owned Properties identified as “Owned” by Everett identified in the “Leaseback Properties” column of the Owned and Leased Properties Spreadsheet, with respect to part of which Houston is to grant a lease to Everett and (b) those Everett Leased Properties identified as “Leased” by Everett and identified in the “Leaseback Properties” column of the Owned and Leased Properties Spreadsheet, with respect to part of which Houston is to sublease to Everett. Everett Leaseback Properties will be transferred through deed transfer or lease assignment (as applicable) by Everett (or its Subsidiaries) to Houston (or its Subsidiaries) and a portion of which will then be leased or subleased (as applicable) back to Everett (or its Subsidiaries) as of the Go Live Date.

(i) “Everett New Lease Properties” means those Properties identified as “Owned” by Everett and its Subsidiaries and listed in the “Sublease and New Lease Properties” area of the Colocation Sites Spreadsheet, which Properties are currently owned by Everett (or its Subsidiaries) and a portion of which will be leased to Houston (or its Subsidiaries) as of the Go Live Date.

(j) “Everett Owned Properties” means those Properties identified as “Owned” by Everett and its Subsidiaries and listed in the Owned and Leased Properties Spreadsheet, which Properties are currently owned by Everett (or its Subsidiaries) and will transfer by deed to Houston (or its Subsidiaries) as of the Go Live Date.

(k) “Everett Property” means the Everett Owned Properties, the Everett Leased Properties, the Everett Sublease Properties, the Everett New Lease Properties and the Everett Leaseback Properties.

(l) “Everett Sublease Property” means those Properties identified as “Leased” by Everett and its Subsidiaries and listed in the “Sublease and New Lease Properties” area of the Colocation Sites Spreadsheet, which Properties are currently leased by Everett (or its Subsidiaries) and a portion of which will be subleased to Houston (or its Subsidiaries) as of the Go Live Date.



(m) “Go Live Date” means December 31, 2016.

(n) “Houston Lease” means, in relation to each Houston Property, the lease(s) or sublease(s) or license(s) under which Houston or its applicable Subsidiary holds such Houston Property and any other supplemental document completed prior to the Actual Completion Date.

(o) “Houston Leaseback Properties” means each of (a) those Houston Owned Properties identified as “Owned” by Houston and identified in the “Leaseback Properties” column of the Owned and Leased Properties Spreadsheet, with respect to part of which Everett is to grant a lease to Houston and (b) those Houston Leased Properties identified as “Leased” by Houston and identified in the “Leaseback Properties” column of the Owned and Leased Properties Spreadsheet, with respect to part of which Everett is to sublease to Houston. Houston Leaseback Properties will be transferred through deed transfer or lease assignment (as applicable) by Houston (or its Subsidiaries) to Everett (or its Subsidiaries) and a portion of which will then be leased or subleased (as applicable) back to Houston (or its Subsidiaries) as of the Go Live Date.

(p) “Houston Leased Properties” means those Properties identified as “Leased” by Houston and its Subsidiaries (other than Everett and Everett’s Subsidiaries) and listed in the Owned and Leased Properties Spreadsheet, which Properties are currently under lease by Houston (or its Subsidiaries) and will be transferred by lease assignment to Everett (or its Subsidiaries) as of the Go Live Date.

(q) “Houston New Lease Properties” means those Properties identified as “Owned” by Houston and its Subsidiaries (other than Everett and Everett’s Subsidiaries) and listed in the “Sublease and New Lease Properties” area of the Colocation Sites Spreadsheet, which Properties are currently owned by Houston (or its Subsidiaries) and a portion of which will be leased to Everett (or its Subsidiaries) as of the Go Live Date.

(r) “Houston Owned Properties” means those Properties identified as “Owned” by Houston and its Subsidiaries (other than Everett and Everett’s Subsidiaries) and listed in the Owned and Leased Properties Spreadsheet, which Properties are currently owned by Houston (or its Subsidiaries) and will transfer by deed to Everett (or its Subsidiaries) as of the Go Live Date.

(s) “Houston Property” means the Houston Owned Properties, the Houston Leased Properties, the Houston Sublease Properties, the Houston New Lease Properties, the Houston Leaseback Properties, the Additional Properties, and the Everett Properties.

(t) “Houston Sublease Property” means those Properties identified as “Leased” by Houston and listed in the “Sublease and New Lease Properties” area of the Colocation Sites Spreadsheet, which Properties are currently leased by Houston (or its Subsidiaries) and a portion of which will be subleased to Everett (or its Subsidiaries) as of the Go Live Date.

(u) “Landlord” means the landlord or sublandlord under a Houston Lease or Everett Lease, and its successors and assigns, and includes the holder of any other interest which is superior to the interest of the landlord or sublandlord under such Houston Lease or Everett Lease.

(v) "Lease Assignment Form" means the form lease assignment attached hereto as Exhibit 2.

(w) "Lease Consents" means all consents, waivers or amendments required from the Landlord or other third parties under the Relevant Leases to assign the Relevant Leases to Everett or Houston, as applicable, or to sublease the Sublease Properties to Everett or Houston, as applicable, or to lease or sublease the Leaseback Properties to Everett or Everett, as applicable.

(x) "Lease Form" means the form lease attached hereto as Exhibit 3.

(y) "Leaseback Properties" means the Everett Leaseback Properties and the Houston Leaseback Properties.

(z) "New Lease Properties" means the Everett New Lease Properties and the Houston New Lease Properties.

(aa) "Notice Date" has the meaning ascribed to such term in Section 2.12(c).

(bb) "Owned and Leased Properties Spreadsheet" means the spreadsheet prepared by Houston entitled "Owned & Leased Properties to be Transferred" and attached as Schedule 1, as updated from time to time prior to the Go Live Date by mutual written agreement of the parties.

(cc) "Properties" means the Houston Properties and the Everett Properties.

(dd) "Real Estate Services" means any services relating to the occupation or use of a Houston Property or the carrying out of either the Everett Business or Houston's other businesses at a Houston Property, including, without limitation, cleaning, garbage disposal, repair, maintenance, receptionist services, utilities, mail delivery, copying and facsimile services.

(ee) "Relevant Leases" means those of Houston Leases or Everett Leases with respect to which the Landlord's consent is required for assignment or sublease to a third party or which prohibit assignments or subleases.

(ff) "Responsible Party" has the meaning ascribed to such term in Section 2.9(a).

(gg) "Retained Parts" means each of those parts of (i) the Houston Owned Properties and the Houston Leased Properties which, following transfer or assignment to Everett, are intended to be leased or subleased to Houston, (ii) the Everett Owned Properties and the Everett Leased Properties which, following the Go Live Date, are intended to be leased or subleased to Everett and (iii) those parts of the Sublease Properties and the Houston New Lease Properties which will not, and which are not intended to, be leased or subleased to Everett in accordance with this Agreement.

(hh) “Sublease Form” means the form sublease attached hereto as Exhibit 4.

(ii) “Sublease Properties” means the Everett Sublease Properties and the Houston Sublease Properties.

## ARTICLE II

### PROPERTY IN THE UNITED STATES

#### Section 2.1 Houston Owned Property.

(a) Houston shall convey or cause its applicable Subsidiary to convey each of the Houston Owned Properties (together with all rights and easements appurtenant thereto) to Everett or its applicable Subsidiary, subject to the other provisions of this Agreement and (to the extent not inconsistent with the provisions of this Agreement) the terms of the Separation Agreement and the other Transaction Documents. Such conveyance shall be completed on the Go Live Date.

(b) Subject to the completion of the conveyance to Everett or its applicable Subsidiary of the relevant Houston Owned Property, with respect to each Houston Owned Property which is a Houston Leaseback Property, Everett shall grant to Houston or its applicable Subsidiary a lease of that part of the relevant Houston Owned Property identified in the Colocation Sites Spreadsheet and Houston or its applicable Subsidiary shall accept the same. Such lease shall be completed immediately following completion of the transfer of the relevant Houston Owned Property to Everett or its applicable Subsidiary.

#### Section 2.2 Everett Owned Property.

(a) Everett shall convey or cause its applicable Subsidiary to convey each of the Everett Owned Properties (together with all rights and easements appurtenant thereto) to Houston or its applicable Subsidiary, subject to the other provisions of this Agreement and (to the extent not inconsistent with the provisions of this Agreement) the terms of the Separation Agreement and the other Transaction Documents. Such conveyance shall be completed on the Go Live Date.

(b) Subject to the completion of the conveyance to Houston or its applicable Subsidiary of the relevant Everett Owned Property, with respect to each Everett Owned Property which is an Everett Leaseback Property, Houston shall grant to Everett or its applicable Subsidiary a lease of that part of the relevant Everett Owned Property identified in the Colocation Sites Spreadsheet and Everett or its applicable Subsidiary shall accept the same. Such lease shall be completed immediately following completion of the transfer of the relevant Everett Owned Property to Houston or its applicable Subsidiary.

#### Section 2.3 Houston Leased Property.

(a) Houston shall assign or cause its applicable Subsidiary to assign, and Everett or its applicable Subsidiary shall accept and assume, Houston’s or its Subsidiary’s interest in the Houston Leased Properties, subject to the other provisions of this Agreement and

(to the extent not inconsistent with the provisions of this Agreement) the terms of the Separation Agreement and the other Transaction Documents. Such assignment shall be completed on the later of: (i) the Go Live Date; and (ii) the earlier of (A) the tenth (10th) business day after the relevant Lease Consent has been granted and (B) the date agreed upon by the parties in accordance with Section 2.12(a) below.

(b) Subject to the completion of the assignment to Everett or its applicable Subsidiary of the relevant Houston Leased Property, with respect to each Houston Leased Property which is also a Houston Leaseback Property, Everett or its applicable Subsidiary shall grant to Houston or its applicable Subsidiary a sublease of that part of the relevant Houston Leased Property identified in the Colocation Sites Spreadsheet and Houston or its applicable Subsidiary shall accept the same. Such sublease shall be completed immediately following completion of the transfer of the relevant Houston Leased Property to Everett or its applicable Subsidiary.

#### Section 2.4 Everett Leased Property.

(a) Everett shall assign or cause its applicable Subsidiary to assign, and Houston or its applicable Subsidiary shall accept and assume, Everett's or its Subsidiary's interest in the Everett Leased Properties, subject to the other provisions of this Agreement and (to the extent not inconsistent with the provisions of this Agreement) the terms of the Separation Agreement and the other Transaction Documents. Such assignment shall be completed on the later of: (i) the Go Live Date; and (ii) the earlier of (A) the tenth (10th) business day after the relevant Lease Consent has been granted and (B) the date agreed upon by the parties in accordance with Section 2.12(a) below.

(b) Subject to the completion of the assignment to Houston or its applicable Subsidiary of the relevant Everett Leased Property, with respect to each Everett Leased Property which is also an Everett Leaseback Property, Houston or its applicable Subsidiary shall grant to Everett or its applicable Subsidiary a sublease of that part of the relevant Everett Leased Property identified in the Colocation Sites Spreadsheet and Everett or its applicable Subsidiary shall accept the same. Such sublease shall be completed immediately following completion of the transfer of the relevant Everett Leased Property to Houston or its applicable Subsidiary.

#### Section 2.5 Houston Sublease Properties.

(a) Houston shall grant or cause its applicable Subsidiary to grant to Everett or its applicable Subsidiary a sublease of that part of the relevant Houston Sublease Property identified in the Colocation Sites Spreadsheet and Everett or its applicable Subsidiary shall accept the same, subject to the other provisions of this Agreement and (to the extent not inconsistent with the provisions of this Agreement) the terms of the Separation Agreement and the other Transaction Documents. Such sublease shall be completed on the later of: (a) the Go Live Date; and (b) the earlier of (i) the tenth (10th) business day after the relevant Lease Consent has been granted and (ii) the date agreed upon by the parties in accordance with Section 2.12(a) below.

#### Section 2.6 Everett Sublease Properties.

(a) Everett shall grant or cause its applicable Subsidiary to grant to Houston or its applicable Subsidiary a sublease of that part of the relevant Everett Sublease Property identified in the Colocation Sites Spreadsheet and Houston or its applicable Subsidiary shall accept the same, subject to the other provisions of this Agreement and (to the extent not inconsistent with the provisions of this Agreement) the terms of the Separation Agreement and the other Transaction Documents. Such sublease shall be completed on the later of: (a) the Go Live Date; and (b) the earlier of (i) the tenth (10th) business day after the relevant Lease Consent has been granted and (ii) the date agreed upon by the parties in accordance with Section 2.12(a) below.

Section 2.7 Houston New Lease Properties.

(a) Houston shall grant or cause its applicable Subsidiary to grant to Everett or its applicable Subsidiary a lease of those parts of the Houston New Lease Properties identified in the Colocation Sites Spreadsheet and Everett or its applicable Subsidiary shall accept the same, subject to the other provisions of this Agreement and (to the extent not inconsistent with the provisions of this Agreement) the terms of the Separation Agreement and the other Transaction Documents. Such lease shall be completed on the Go Live Date.

Section 2.8 Everett New Lease Properties.

(a) Everett shall grant or cause its applicable Subsidiary to grant to Houston or its applicable Subsidiary a lease of those parts of the Everett New Lease Properties identified in the Colocation Sites Spreadsheet and Houston or its applicable Subsidiary shall accept the same, subject to the other provisions of this Agreement and (to the extent not inconsistent with the provisions of this Agreement) the terms of the Separation Agreement and the other Transaction Documents. Such lease shall be completed on the Go Live Date.

Section 2.9 Obtaining the Lease Consents.

(a) Except with respect to any Properties which the parties agree should be dealt with by the Service Level Agreements referred to in Section 2.16 below, Houston and Everett confirm that, with respect to each Houston Leased Property, Everett Leased Property, Houston Sublease Property, Houston Leaseback Property which is a Houston Leased Property, Everett Sublease Property and Everett Leaseback Property which is an Everett Leased Property, to the extent required by the Relevant Lease, an application has been made or will be made by the Go Live Date to the relevant Landlord for the Lease Consents required with respect to the transactions contemplated by this Agreement. For purposes of this Section 2.9, (i) for any Property requiring Landlord Consent that the tenant/subtenant/licensee prior to the Go Live Date is Houston or its Subsidiaries (other than Everett and its Subsidiaries), Houston will have primary responsibility for requesting, negotiating and obtaining the Lease Consent and (ii) for any Property requiring Landlord Consent that the tenant/subtenant/licensee prior to the Go Live Date is Everett or its Subsidiaries, Everett will have primary responsibility for requesting, negotiating and obtaining the Lease Consent (each party having primary responsibility of a Relevant Lease being the "Responsible Party").

(b) Houston and Everett will each use their reasonable commercial efforts to obtain the Lease Consents, but the Responsible Party shall not be required to commence judicial proceedings for a declaration that a Lease Consent has been unreasonably withheld or delayed, nor shall the Responsible Party be required to pay any consideration in excess of that required by the Relevant Lease or that which is typical in the open market to obtain the relevant Lease Consent.

(c) Everett and Houston will promptly satisfy the lawful requirements of the Landlord, and Houston and Everett applicable will take all steps to assist the Responsible Party in obtaining the Lease Consents, including, without limitation:

(i) if properly required by the Landlord, entering into an agreement with the relevant Landlord to observe and perform the tenant's obligations contained in the Relevant Lease throughout the remainder of the term of the Relevant Lease, subject to any statutory limitations of such liability;

(ii) if properly required by the Landlord, providing a guarantee, surety or other security (including, without limitation, a security deposit) for the obligations of Everett or Houston, as applicable, or its applicable Subsidiary as tenant under the Relevant Lease, and otherwise taking all steps which are necessary and which Everett or Houston, as applicable, is capable of doing to meet the lawful requirements of the Landlord so as to ensure that the Lease Consents are obtained; and

(iii) using all reasonable commercial efforts to assist the Responsible Party with obtaining the Landlord's consent to the release of any guarantee, surety or other security which Responsible Party or its Subsidiary may have previously provided to the Landlord and, if required, offering the same or equivalent security to the Landlord in order to obtain such release.

Notwithstanding the foregoing, (1) except with respect to guarantees, sureties or other security referenced in Section 2.9(c)(ii) above, Everett or Houston, as applicable, shall not be required to obtain a release of any obligation entered into by the Responsible Party or its Subsidiary with any Landlord or other third party with respect to any Property and (2) Everett or Houston, as applicable, shall not communicate directly with any of the Landlords for which it is not the Responsible Party unless Everett or Houston, as applicable, can show the Responsible Party reasonable grounds for doing so.

(d) If, with respect to any Leased Properties, Houston and Everett are unable to obtain a release by the Landlord of any guarantee, surety or other security which the Responsible Party or its Subsidiary has previously provided to the Landlord, Everett or Houston, as applicable, shall indemnify, defend, protect and hold harmless the Responsible Party and its Subsidiary from and after the Go Live Date against all losses, costs, claims, damages, or liabilities incurred by the Responsible Party or its Subsidiary as a result of such guarantee, surety or other security.

#### Section 2.10 Occupation by Everett.

(a) Subject to compliance with Section 2.10(b) below, in the event that the Actual Completion Date for any Houston Owned Property, Houston New Lease Property, Houston Leased Property or Houston Sublease Property does not occur on the Go Live Date, Everett shall, commencing on the Go Live Date, be entitled to occupy and receive the rental income from the relevant Houston Property (except to the extent that the same is a Retained Part) as a licensee upon the terms and conditions contained in the Houston Lease (as to Houston Leased Properties), upon the terms and conditions contained in the Sublease Form (as to Houston Sublease Properties) or upon the terms and conditions contained in the Lease Form (as to Houston Owned Properties and Houston New Lease Properties). Such license shall not be revocable prior to the date for completion as provided in Sections 2.1(a), 2.3(a) or 2.5(a) unless an enforcement action or forfeiture by the relevant Landlord due to Everett's occupation of the Houston Property constituting a breach of the Houston Lease cannot, in the reasonable opinion of Houston, be avoided other than by requiring Everett to immediately vacate the relevant Houston Property, in which case Houston may by notice to Everett immediately require Everett to vacate the relevant Houston Property. Everett will be responsible for all costs, expenses and liabilities incurred by Houston or its applicable Subsidiary as a consequence of such occupation, except for any losses, claims, costs, demands and liabilities incurred by Houston or its Subsidiary as a result of any enforcement action taken by the Landlord against Houston or its Subsidiary with respect to any breach by Houston or its Subsidiary of the Relevant Lease in permitting Everett to so occupy the Houston Property without obtaining the required Lease Consent, for which Houston or its Subsidiary shall be solely responsible.

(b) In the event that the Actual Completion Date for any Houston Owned Property, Houston New Lease Property, Houston Leased Property or Houston Sublease Property does not occur on the Go Live Date, whether or not Everett occupies a Houston Property as licensee as provided in Section 2.10(a) above, Everett shall, effective as of the Go Live Date, (i) pay Houston all rents, service charges, insurance premiums and other sums payable by Houston or its applicable Subsidiary under any Relevant Lease (as to Houston Leased Properties), under the Lease Form (as to Houston Owned Properties or Houston New Lease Properties) or under the Sublease Form (as to Houston Sublease Properties), (ii) observe the tenant's covenants, obligations and conditions contained in the Houston Lease (as to Houston Leased Properties) or in the Sublease Form (as to Houston Sublease Properties) and (iii) indemnify, defend, protect and hold harmless Houston and its applicable Subsidiary from and against all losses, costs, claims, damages and liabilities arising on account of any breach thereof by Everett.

(c) Houston shall supply promptly to Everett copies of all invoices, demands, notices and other communications received by Houston or its or its applicable Subsidiaries or agents in connection with any of the matters for which Everett may be liable to make any payment or perform any obligation pursuant to Section 2.10(b), and shall, at Everett's cost, take any steps and pass on any objections which Everett may have in connection with any such matters. Everett shall promptly supply to Houston any notices, demands, invoices and other communications received by Everett or its agents from any Landlord while Everett occupies any Houston Property without the relevant Lease Consent.

#### Section 2.11 Occupation by Houston.

(a) Subject to compliance with Section 2.11(b) below, in the event that the Actual Completion Date for any Everett Owned Property, Everett New Lease Property, Everett Leased Property or Everett Sublease Property does not occur on the Go Live Date, Houston shall, commencing on the Go Live Date, be entitled to occupy and receive the rental income from the relevant Houston Property (except to the extent that the same is a Retained Part) as a licensee upon the terms and conditions contained in the Everett Lease (as to Everett Leased Properties) or upon the terms and conditions contained in the Sublease Form (as to Everett Sublease Properties) or upon the terms and conditions contained in the Lease Form (as to Everett Owned Properties or Everett New Lease Properties). Such license shall not be revocable prior to the date for completion as provided in Sections 2.2(a), 2.4(a) or 2.6(a) unless an enforcement action or forfeiture by the relevant Landlord due to Houston's occupation of the Houston Property constituting a breach of the Everett Lease cannot, in the reasonable opinion of Everett, be avoided other than by requiring Houston to immediately vacate the relevant Houston Property, in which case Everett may by notice to Houston immediately require Houston to vacate the relevant Houston Property. Houston will be responsible for all costs, expenses and liabilities incurred by Everett or its applicable Subsidiary as a consequence of such occupation, except for any losses, claims, costs, demands and liabilities incurred by Everett or its Subsidiary as a result of any enforcement action taken by the Landlord against Everett or its Subsidiary with respect to any breach by Everett or its Subsidiary of the Relevant Lease in permitting Houston to so occupy the Houston Property without obtaining the required Lease Consent, for which Everett or its Subsidiary shall be solely responsible. Houston shall not be entitled to make any claim or demand against, or obtain reimbursement from, Everett or its applicable Subsidiary with respect to any costs, losses, claims, liabilities or damages incurred by Houston as a consequence of being obliged to vacate the Houston Property or in obtaining alternative premises, including, without limitation, any enforcement action which a Landlord may take against Houston.

(b) In the event that the Actual Completion Date for any Everett Owned Property, Everett New Lease Property, Everett Leased Property or Everett Sublease Property does not occur on the Go Live Date, whether or not Houston occupies a Houston Property as licensee as provided in Section 2.11(a) above, Houston shall, effective as of the Go Live Date, (i) pay Everett all rents, service charges, insurance premiums and other sums payable by Everett or its applicable Subsidiary under any Relevant Lease (as to Everett Leased Properties), under the Lease Form (as to Everett Owned Properties or Everett New Lease Properties) or under the Sublease Form (as to Everett Sublease Properties), (ii) observe the tenant's covenants, obligations and conditions contained in the Everett Lease (as to Everett Leased Properties) or in the Sublease Form (as to Everett Sublease Properties) and (iii) indemnify, defend, protect and hold harmless Everett and its applicable Subsidiary from and against all losses, costs, claims, damages and liabilities arising on account of any breach thereof by Houston.

(c) Everett shall supply promptly to Houston copies of all invoices, demands, notices and other communications received by Everett or its or its applicable Subsidiaries or agents in connection with any of the matters for which Houston may be liable to make any payment or perform any obligation pursuant to Section 2.11(b), and shall, at Houston's cost, take any steps and pass on any objections which Houston may have in connection with any such matters. Houston shall promptly supply to Everett any notices, demands, invoices and other communications received by Houston or its agents from any Landlord while Houston occupies any Everett Property without the relevant Lease Consent.



## Section 2.12 Obligation to Complete.

(a) If, with respect to any Houston Leased Property, Everett Leased Property, Houston Sublease Property or Everett Sublease Property, at any time the relevant Lease Consent is formally and unconditionally refused in writing, Houston, Computer Sciences Corporation, a Nevada corporation, and Everett shall commence good faith negotiations and use commercially reasonable efforts to determine how to allocate the applicable Property, based on the relative importance of the applicable Property to the operations of each party, the size of the applicable Property, the number of employees of each party at the applicable Property, the value of assets associated with each business, the cost to relocate, and the potential risk and liability to each party in the event an enforcement action is brought by the applicable Landlord. Such commercially reasonable efforts shall include consideration of alternate structures to accommodate the needs of each party and the allocation of the costs thereof, including entering into amendments of the size, term or other terms of the Relevant Lease, restructuring a proposed lease assignment to be a sublease and relocating one party. If the parties are unable to agree upon an allocation of the Property within fifteen (15) days after commencement of negotiations between the parties as described above, then either party may, by delivering written notice to the other, require that the matter be referred to the Chief Financial Officers of each party. In such event, the Chief Financial Officers shall use commercially reasonable efforts to determine the allocation of the Property, including having a meeting or telephone conference within ten (10) days thereafter. If the parties are unable to agree upon the allocation of an applicable Property within fifteen (15) days after the matter is referred to the Chief Financial Officers of the parties as described above, the disposition of the applicable Property and the risks associated therewith shall be allocated between the parties as set forth in subparts (b) and (c) of this section below.

(b) If, with respect to any Houston Leased Property or Everett Leased Property, the parties are unable to agree upon the allocation of a Houston Property as set forth in Section 2.12(a), the Responsible Party may by written notice to the other party elect to apply to the relevant Landlord for consent to sublease all of the relevant Property to the other party for the remainder of the Relevant Lease term less one (1) day at a rent equal to the rent from time to time under the Relevant Lease, but otherwise on substantially the same terms and conditions as the Relevant Lease. If the Responsible Party makes such an election, until such time as the relevant Lease Consent is obtained and a sublease is completed, the provisions of Section 2.10 and 2.11, as applicable, will apply and, on the grant of the Lease Consent required to sublease the Property in question, the Responsible Party shall sublease or cause its applicable Subsidiary to sublease to the other party or its Subsidiary the relevant Property in accordance with Section 2.5.

(c) If the parties are unable to agree upon the allocation of a Property as set forth in Section 2.12(a) and the Responsible Party does not make an election pursuant to Section 2.12(b) above, the Responsible Party may elect by written notice to the other party to require the other party to vacate the relevant Property immediately or by such other date as may be specified in the notice served by the Responsible Party (the "Notice Date"), in which case the other party shall vacate the relevant Property on the Notice Date.

## Section 2.13 Form of Transfer.

(a) The conveyance to Everett of each relevant Houston Owned Property or to Houston of each relevant Everett Owned Property shall be in substantially the form attached as Exhibit 1, with such amendments as are reasonably required by Houston or Everett, respectively, with respect to a particular Property, including, without limitation, those required by any covenant, condition, restriction, easement, lease or other encumbrance to which the Property is subject.

(b) The assignment to Everett of each relevant Houston Leased Property or to Houston of each relevant Everett Leased Property shall be in substantially the form of the Lease Assignment Form attached as Exhibit 2, with such amendments as are reasonably required by Houston or Everett, respectively, with respect to a particular Property, including, without limitation, in all cases where a relevant Landlord has required a guarantor or surety to guarantee the obligations of Everett or Houston, respectively, contained in the relevant Lease Consent or any other document which Everett or Houston, respectively, is required to complete, the giving of such guarantee by a guarantor or surety, and the giving by Everett or Houston, respectively, and any guarantor or surety of Everett's or Houston's, respectively, obligations of direct obligations to Houston or Everett, respectively, or third parties where required under the terms of any of the Lease Consent or any covenant, condition, restriction, easement, lease or other encumbrance to which the Property is subject.

(c) The subleases to be granted to Everett or Houston with respect to the relevant Houston Sublease Properties or Everett Sublease Property shall be substantially in the form of the Sublease Form and shall include such amendments which in the reasonable opinion of Houston are necessary with respect to a particular Property or the relevant Lease Consent. Such amendments shall be submitted to Everett for approval, which approval shall not be unreasonably withheld or delayed.

(d) The leases and subleases to be granted by Everett to Houston with respect to the Houston Leaseback Properties or by Houston to Everett with respect to the Everett Leaseback Properties shall be substantially in the form of the Lease Form or the Sublease Form, as applicable, with such amendments as are, in the reasonable opinion of Houston, necessary with respect to a particular Property. Such amendments shall be submitted to Everett for approval, which approval shall not be unreasonably withheld or delayed.

(e) The leases to be granted to Everett with respect to the Houston New Lease Properties or to Houston with respect to the Everett New Lease Properties shall be substantially in the form of the Lease Form and shall include such amendments which in the reasonable opinion of Houston are necessary with respect to a particular Property. Such amendments shall be submitted to Everett for approval, which approval shall not be unreasonably withheld or delayed.

(f) Houston and Everett agree that to the extent either party desires to pursue the separation of the master lease to a Houston Sublease Property, Everett Sublease Property, Houston Leaseback Property that is a Houston Leased Property or Everett Leaseback Property that is an Everett Leased Property instead of pursuing a sublease, the other party will cooperate in such separation of master lease; provided that all costs relating thereto will be the sole responsibility of the party requesting the separation of the master lease. To the extent that the

parties pursue separation of a master lease rather than a sublease but such separation of master lease has not occurred by the Go Live Date, Houston and Everett will equitably share the space and cost of the space, pursuant to the process described in Sections 2.10 and 2.11 for Houston Sublease Properties and Everett Sublease Properties, respectively, that have not yet received Landlord consent.

Section 2.14 Casualty; Lease Termination.

(a) The parties hereto shall grant and accept transfers, assignments, leases or subleases of the Properties as described in this Agreement, regardless of any casualty damage or other change in the condition of the Properties. In addition, in the event that a Houston Lease with respect to a Houston Leased Property or a Houston Sublease Property or a Everett Lease with respect to a Everett Leased Property or a Everett Sublease Property is terminated prior to the Go Live Date, (a) Houston and Everett, respectively, shall not be required to assign or sublease such Property, (b) Everett and Houston, respectively, shall not be required to accept an assignment or sublease of such Property and (c) neither party shall have any further liability with respect to such Property hereunder.

Section 2.15 Fixtures and Fittings.

(a) The provisions of the Separation Agreement and the other Transaction Documents shall apply to any equipment, office equipment, trade fixtures, furniture and any other personal property located at each Property (excluding any equipment, office equipment, trade fixtures, furniture and any other personal property owned by third parties).

Section 2.16 Services.

(a) As necessary, Houston and Everett each agree that, on or about the Go Live Date, they shall each enter into a facility services agreement (a "Service Level Agreement") with the other whereby, with respect to any of the Sublease Properties, the New Lease Properties and the Leaseback Properties, each party shall agree to supply to, or perform for the benefit of, the other party (and the other party shall accept) such Real Estate Services as each party currently supplies to or performs for the benefit of the other with respect to such Properties, on the same terms and conditions as currently apply, and at the cost and other terms as set forth in the Service Level Agreements.

(b) Notwithstanding anything to the contrary herein, the parties agree and acknowledge that there may be circumstances in which the parties mutually agree that a formal lease or sublease will not be entered into in order to establish shared occupancy of a Property, in which case such occupancy shall be (and the Service Level Agreement referenced in Section 2.16(a) above shall provide that the applicable party may occupy the relevant Property on a temporary basis) on the relevant terms and conditions set forth in the Lease Form or the Sublease Form, as applicable.

Section 2.17 Adjustments.

(a) Houston and Everett each acknowledge and agree that Additional Properties may be acquired by Houston or Everett prior to the Go Live Date. Such Additional

Properties shall be treated hereunder as Houston Owned Properties, Houston Leased Properties, Houston Sublease Properties, Houston New Lease Properties and/or Houston Leaseback Properties or Everett Owned Properties, Everett Leased Properties, Everett Sublease Properties, Everett New Lease Properties and/or Everett Leaseback Properties by mutual agreement of the parties based on whether the Additional Property was acquired by or for the Everett Business or Houston's other businesses. In the event that the parties are unable to agree by the Go Live Date as to how any Additional Property is to be treated, the matter shall be determined in accordance with the procedure set forth in Section 2.12(a) above. In the event that the parties are unable to agree within ten (10) business days of the Go Live Date as to the allocation of an Additional Property, the matter in dispute shall be determined in accordance with the following guidelines:

(i) Properties which are occupied as to fifty percent (50%) or more of the total area for the purposes of the Everett Business shall be treated as Houston Owned Properties, Houston Leased Properties, Everett Sublease Properties or Everett New Lease Properties (as appropriate) and the part which is not occupied by the Everett Business or a third party shall be treated as a Houston Leaseback Property, if applicable; and

(ii) Properties which are occupied as to less than fifty percent (50%) for the purposes of the Everett Business shall be treated as Everett Owned Properties, Everett Leased Properties, Houston Sublease Properties or Houston New Lease Properties (as appropriate) and the part which is occupied by the Everett Business or a third party shall be treated as a Everett Leaseback Property, if applicable.

(b) Following agreement or determination with respect to the Additional Properties, the parties shall enter into and complete all such documents as may be required to give effect to such agreement or determination.

(c) Houston and Everett each acknowledge and agree that their respective requirements with regard to each of the Properties may alter between the date of this Agreement and the Go Live Date, in which case the parties may mutually agree in writing to re-characterize the relevant Property as an Houston Owned Property, Houston Leased Property, Houston Sublease Property, Houston New Lease Property and/or Houston Leaseback Property or Everett Owned Property, Everett Leased Property, Everett Sublease Property, Everett New Lease Property and/or Everett Leaseback Property, as appropriate.

#### Section 2.18 Costs.

(a) The Responsible Party shall pay all reasonable costs and expenses incurred in connection with obtaining the Lease Consents, including, without limitation, Landlord's consent fees and attorneys' fees and any costs and expenses relating to re-negotiation of Houston Leases and Everett Leases, as applicable. The owner of the relevant Property shall also pay all reasonable costs and expenses in connection with the transfer of the Property, including title insurance premiums, escrow fees, recording fees, and any transfer taxes arising as a result of the transfers.

#### Section 2.19 Signing and Ratification.

(a) Houston and Everett hereby ratify and authorize all signatures to any document entered into in connection with this Agreement by Houston and Everett, or each's respective Subsidiaries, and the parties agree that to the extent any challenges arise to the authority of any such signature from and after the date hereof, Houston and Everett will cooperate to ratify such signatures and prepare any corporate authorizations or resolutions necessary therefor.

Section 2.20 Allocation of Properties. Houston hereby represents and warrants to Everett that the Owned and Leased Properties Spreadsheet and the Colocation Site Spreadsheet each were prepared in accordance with clauses (1)(A) and (2) of the Allocation Principle in all material respects, subject to changes reasonably necessary as a result of the outcome of the OD&S Process (as defined in the Employee Matters Agreement) in order to remain consistent in all material respects with such allocation principles. Any amendments or revisions to the Owned and Leased Properties Spreadsheet and the Colocation Site Spreadsheet prior to the Distribution Date will be made in accordance with clauses (1)(A) and (2) of the Allocation Principle in all material respects, subject to changes reasonably necessary as a result of the outcome of the OD&S Process (as defined in the Employee Matters Agreement) in order to remain consistent in all material respects with such allocation principles.

### ARTICLE III

#### PROPERTY OUTSIDE THE UNITED STATES

With respect to each of the Properties located outside the United States listed in the Owned and Leased Property Spreadsheet and the Colocation Sites Spreadsheet, as well as any additional properties acquired by Houston, Everett or a Subsidiary prior to the Go Live Date, Houston and Everett will use the appropriate form document attached hereto, translated into the local language, if customary under local practice, and modified to comply with local legal requirements to cause the appropriate transfers, assignments, leases, subleases licenses or leasebacks to occur. Such transfers, assignments, leases, subleases licenses or leasebacks shall, so far as the law in the jurisdiction in which such property is located permits, be on the same terms and conditions as provided in Article II of this Agreement. In the event of a conflict between the terms of this Agreement and the terms of such local agreements, the terms of the local agreements shall prevail.

### ARTICLE IV

#### MISCELLANEOUS

Section 4.1 Entire Agreement. This Agreement, the Separation Agreement, the other Transaction Documents and the Exhibits and Schedules referenced or attached hereto and thereto, constitutes the entire agreement between the parties with respect to the subject matter hereof and shall supersede all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof.

Section 4.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware as to all matters regardless of the laws that

might otherwise govern under principles of conflicts of laws applicable thereto. Notwithstanding the foregoing, the applicable Property transfers shall be performed in accordance with the laws of the jurisdiction in which the applicable Property is located.

Section 4.3 Notices. Any notice, demand, offer, request or other communication required or permitted to be given by either party pursuant to the terms of this Agreement shall be in writing and shall be deemed effectively given the earlier of (i) when received, (ii) when delivered personally, (iii) upon delivery of e-mail (with delivery receipt confirmation requested) provided that a hard copy of the notice is sent via overnight delivery, (iv) one (1) business day after being deposited with an overnight courier service or (v) four (4) days after being deposited in the U.S. mail, First Class with postage prepaid, and addressed to the attention of the party's General Counsel at the address of its principal executive office or such other address as a party may request by notifying the other in writing.

Section 4.4 Parties in Interest. This Agreement, including the Schedules and Exhibits hereto, and the other documents referred to herein, shall be binding upon and inure solely to the benefit of each party hereto and their legal representatives and successors, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

Section 4.5 Counterparts. This Agreement, including the Schedules and Exhibits hereto, and the other documents referred to herein, may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

Section 4.6 Binding Effect; Assignment. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives and successors. This Agreement may not be assigned by any party hereto. The Schedules and/or Exhibits attached hereto or referred to herein are an integral part of this Agreement and are hereby incorporated into this Agreement and made a part hereof as if set forth in full herein.

Section 4.7 Severability. If any term or other provision of this Agreement or the Schedules or Exhibits attached hereto is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

Section 4.8 Failure or Indulgence Not Waiver. No failure or delay on the part of any party hereto in the exercise of right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right.

Section 4.9 Amendment. No change or amendment will be made to this Agreement except by an instrument in writing signed on behalf of each of the parties to such agreement.

Section 4.10 Authority. Each of the parties hereto represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or other action, (c) it has duly and validly executed and delivered this Agreement, and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

Section 4.11 Interpretation. The headings contained in this Agreement, in any Exhibit or Schedule hereto and in the table or contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Schedule or Exhibit but not otherwise defined therein, shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an Article or a Section, Exhibit or Schedule, such reference shall be to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated.

Section 4.12 Dispute Resolution. Any dispute, controversy or claim arising out of or relating to this Agreement, to the extent not specified in this Agreement, shall be resolved in accordance with the Separation Agreement.

*[The remainder of this page is intentionally left blank.]*

IN WITNESS WHEREOF, each of the parties hereto have caused this Real Estate Matters Agreement to be executed on its behalf by its officers thereunto duly authorized on the day and year first above written.

HEWLETT PACKARD ENTERPRISE COMPANY,  
a Delaware corporation

By: \_\_\_\_\_  
Name:  
Title:

EVERETT SPINCO, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Name:  
Title:



**IP MATTERS AGREEMENT**

This IP MATTERS AGREEMENT, dated as of [ ], 2016 and effective as of the Distribution Date (this “IPMA”), is by and between Hewlett Packard Enterprise Company, a Delaware corporation (“Houston Company”), Hewlett Packard Enterprise Development LP, a Texas limited partnership (“Houston Development” and, together with Houston Company, collectively “Houston”), and Everett SpinCo, Inc., a Delaware corporation (“Everett”). Houston Company, Houston Development and Everett are sometimes collectively referred to as the “Parties” and each is individually referred to as a “Party.” Unless otherwise defined in this IPMA, all capitalized terms used in this IPMA shall have the meanings set forth in the Separation and Distribution Agreement, dated as of the date hereof, by and between Houston Company and Everett and the other parties named therein (as amended, modified or supplemented from time to time in accordance with its terms, the “Separation Agreement”).

**RECITALS**

WHEREAS, Houston Company and Everett have entered into the Separation Agreement pursuant to which the Parties have set out the terms on which, and the conditions subject to which, they wish to implement the Reorganization (as defined in the Separation Agreement); and

WHEREAS, this IPMA will be a Transaction Document under the Separation Agreement and by its terms will allocate rights and interests in certain Intellectual Property Rights and certain Technology used in the conduct of the Everett Business prior to the Distribution Date.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained in this IPMA, the Parties, intending to be legally bound, hereby agree as follows:

**ARTICLE I  
DEFINITIONS**

The following capitalized terms used in this IPMA shall have the meanings set forth below:

“Chicago” means Computer Sciences Corporation, a Nevada corporation.

“Chicago Public Sector Business Spin-Off” means a sale, divestment, spin-off, split-off or other disposition by Everett or Chicago with respect to Chicago’s and/or Everett’s business relating to public sector organizations.

“Chicago Products or Services” means any (i) products sold or distributed, or services provided, by Chicago or any business of Chicago as of or prior to the Distribution Date, and (ii) products sold or distributed, or services provided, by Chicago or any business of Chicago after the Distribution Date other than those that constitute, integrate or incorporate or are substantially similar to the products sold or distributed, or services provided, by the Everett Business as of or prior to the Distribution Date or natural evolutions thereof.

“Confidential Information” shall mean proprietary or confidential technical, financial or business information of the disclosing Party, including without limitation Source Code, as well

as information about product plans and strategies, promotions and customers, which should be reasonably understood by receiving Party as the confidential or proprietary information of disclosing Party. Without regard to the timing of any disclosure or the identity of the disclosing Person, Source Code included in the Houston Technology shall be deemed to be Houston Confidential Information, and Source Code included in the Transferred Technology shall be deemed to be Everett Confidential Information.

“Eligible Business Sale” means a sale, divestment, spin-off, split-off or other disposition of a business unit as a going concern by Everett or Chicago.

“Houston Owned Technology” means all Technology (excluding the Transferred Technology) that (i) immediately prior to the Distribution Date is owned by Houston or any other member of the Houston Group, (ii) prior to the Distribution Date is in the possession of the Everett Business, and (iii) prior to the Distribution Date is used in the conduct of the Everett Business.

“Houston Patents” means all Patents (excluding the Transferred Patents) owned by Houston or any other member of the Houston Group as of the Distribution Date that, in the absence of a license thereto, would be infringed by the conduct of the Everett Business prior to the Distribution Date.

“Houston Technology” means Houston Third Party Technology and Houston Owned Technology that is not made generally commercially available by Houston or any other member of the Houston Group prior to the Distribution Date.

“Houston Third Party Technology” means all Technology (excluding the Transferred Technology and any IT Software) that prior to the Distribution Date is (i) integrated or incorporated into any Technology that is (a) in the possession of the Everett Business and (b) used in the conduct of the Everett Business and (ii) licensed to any member of the Houston Group by a third party and for which Houston or any member of the Houston Group has the right to grant a sublicense to Everett of the scope set forth in Article IV without, (a) violating or breaching any obligation owed by such member of the Houston Group to such third party, (b) requiring any consent from such third party or (c) incurring any obligation to make any payment or pay other consideration to such third party.

“Intellectual Property Rights” means all rights, title and interest in and to intellectual property arising throughout the world, including all: (i) copyrights and registrations and applications therefor (collectively, “Copyrights”); (ii) domain names, websites and uniform resource locators (collectively, “Domain Names”); (iii) trademarks, service marks, corporate names, trade names, logos, slogans, designs, trade dress and other similar identifiers of source or origin (registered and unregistered), together with the goodwill associated with any of the foregoing and applications to register any of the foregoing (collectively, “Marks”); (iv) patents and utility models, design registrations, and applications for any of the foregoing, together with all reissues, continuations, continuations-in-part, divisionals and reexaminations thereof (collectively, “Patents”); and (v) trade secrets, know-how, inventions, discoveries, methods, processes, technical data, specifications, research and development information and other proprietary or confidential information, in each case that derives economic value from not being

generally known to other Persons who can obtain economic value from its disclosure, but excluding any Copyrights in or Patents on any of the foregoing (collectively, "Trade Secrets"). For the avoidance of doubt, registrations and applications shall include all renewals, restorations, reversions and modifications of the same, as applicable.

"IP Contracts" means the Contracts set forth on Exhibit E.

"IT Software" means any Software that is used to provide information technology-related infrastructure for an enterprise that is not used directly to provide commercial products or services to customers or related to the development related therefor. Access or use of any IT Software owned by Houston or any other member of the Houston Group as of the Distribution Date will be subject to the terms and conditions of the Transition Services Agreement between Houston Company and Everett dated as of the date hereof.

"Knowledge" means "knowledge" as such term is defined in the Merger Agreement.

"Merger Agreement" means the Agreement and Plan of Merger by and between Houston, Everett, Chicago and the other parties thereto, dated as of the date hereof.

"Object Code" means code in machine-readable form generated by compilation, assembly or other translation of Source Code and contained in a medium which permits it to be loaded into and operated on or by a computer.

"Software" means computer programs, including any and all software implementations of algorithms, models and methodologies, whether in Source Code, Object Code or other form, databases and compilations in electronic form, including flow-charts and other work product used to design, plan, organize and develop any of the foregoing, and all related documentation, including user manuals and training materials.

"Source Code" means a set of programming statements or computer instructions written in a human-readable programming language contained in any format, including human and machine-readable formats.

"Technology" means Software and all Copyrights and Trade Secrets embodied therein, but excluding all Patents and Marks relating thereto, and all related documentation (including related bills of material, build instructions, test reports, manuals, schematics and lab notebooks).

"Transferred Domain Names" means the Domain Names set forth on Exhibit A.

"Transferred IP" means the Transferred Registered IP, Transferred Domain Names, Transferred Technology and Transferred Unregistered IP.

"Transferred Patents" means the Patents set forth on Exhibit B.

"Transferred Registered Copyrights" means the Copyrights set forth on Exhibit C.

"Transferred Registered IP" means the (i) Transferred Patents, (ii) Transferred Registered Copyrights and (iii) Transferred Registered Trademarks.

“Transferred Registered Trademarks” means the Marks set forth on Exhibit D.

“Transferred Technology” means all tangible embodiments, whether in electronic, written or other media, of Technology (i) owned by Houston or any other member of the Houston Group immediately prior to the Distribution Date and (ii) exclusively used in the conduct of the Everett Business prior to the Distribution Date.

“Transferred Unregistered IP” means all Trade Secrets, unregistered Marks and documentation related to the foregoing (i) owned by Houston or any other member of the Houston Group immediately prior to the Distribution Date and (ii) exclusively used in the conduct of the Everett Business prior to the Distribution Date.

## **ARTICLE II ASSIGNMENT**

Section 2.1 **Assignment of the Transferred IP**. Houston hereby irrevocably assigns and transfers, and shall cause the other members of the Houston Group to irrevocably assign and transfer, to Everett all of their respective rights, title and interest in and to the Transferred IP, subject to any pre-existing (a) non-exclusive licenses granted in the ordinary course of business that would “run” with the Transferred IP by operation of applicable Law or (b) other rights that have been granted by Houston or any other member of the Houston Group to a third party prior to the Distribution Date described in Schedules 5.20(a)(vi) and 7.2(a)(v) to the Merger Agreement, in each case, none of which is material to the Everett Business.

Section 2.2 **Assignment of the IP Contracts**. Subject to Section 2.5 of the Separation Agreement, Houston hereby irrevocably assigns and transfers, and shall cause the other members of the Houston Group to irrevocably assign and transfer, to Everett all of their respective rights, title and interest in, to and under the IP Contracts. Everett hereby assumes and agrees to discharge, perform or otherwise fulfill the Liabilities of Houston and the other members of the Houston Group arising out of, relating to or resulting from the IP Contracts, in each case, that arise on or after the Distribution Date and in accordance with their respective terms.

Section 2.3 **Further Assurances**. Houston shall bear and be solely responsible for any and all recordation fees and other costs and expenses relating to the assignment of the Transferred IP from Houston (or any other members of the Houston Group) to Everett pursuant to Section 2.1 above. Houston agrees to execute and deliver, and to cause the other members of the Houston Group to execute and deliver, all assignments and other documents reasonably requested by Everett to give effect to the assignment of Transferred IP to Everett under this IPMA.

## **ARTICLE III PATENT LICENSE**

Section 3.1 **License to Transferred Patents**. Everett hereby grants to Houston and the other members of the Houston Group, for the life of each of the Transferred Patents, a non-exclusive, non-transferable (except as provided in Section 8.2), non-sublicensable, fully paid-up, royalty-free license under the Transferred Patents to conduct the Houston Business as conducted prior to the Distribution Date and natural evolutions thereof, including to make, have made, use,

import, offer for sale, lease, sell and/or otherwise transfer products and provide services of the Houston Business and to use any methods or processes covered by any of the Transferred Patents in connection therewith, in each case, solely in the form such products are being sold or distributed by the Houston Business or such services are being provided by the Houston Business prior to the Distribution Date and natural evolutions thereof.

### Section 3.2 **License to Houston Patents.**

(a) Houston hereby grants, and shall cause the other members of the Houston Group to grant, to Everett, for the life of each of the Houston Patents, a non-exclusive, non-transferable (except as provided in Section 8.2), non-sublicensable (except as provided in Section 3.2(b)), fully paid-up, royalty-free license under the Houston Patents to conduct the Everett Business as conducted prior to the Distribution Date and natural evolutions thereof, including to make, have made, use, import, offer for sale, lease, sell and/or otherwise transfer products and provide services of the Everett Business and to use any methods or processes covered by any of the Houston Patents in connection therewith, in each case, solely in the form such products are being sold or distributed by the Everett Business or such services are being provided by the Everett Business prior to the Distribution Date and natural evolutions thereof, but in all cases excluding any Chicago Products or Services.

(b) Everett may sublicense the rights granted in Section 3.2(a) only in connection with a Chicago Public Sector Business Spin-Off or an Eligible Business Sale. No further sublicensing is permitted by Everett or its sublicensee pursuant to a Chicago Public Sector Business Spin-Off. For purposes of clarity, any sublicenses granted pursuant to this Section shall exclude any Chicago Products or Services.

## **ARTICLE IV LICENSE TO HOUSTON TECHNOLOGY**

### Section 4.1 **Internal Use License.**

(a) Subject to Section 4.3, Houston hereby grants, and shall cause the other members of the Houston Group to grant, to Everett a non-exclusive, non-transferable (except as provided in Section 8.2), sublicensable (solely and to the extent provided in Section 4.1(b)), worldwide, fully paid-up, royalty-free license to internally use, modify, update, upgrade, enhance, improve, reproduce, and prepare derivative works of the Houston Technology, for the sole purpose of developing, maintaining or supporting the products and services being provided by the Everett Business as of or prior to the Distribution Date and natural evolutions thereof, but in all cases excluding any Chicago Products or Services. No right is granted under this Section 4.1 to distribute or otherwise make available to any third party any Houston Technology except as expressly set forth herein.

(b) Everett may sublicense the rights granted in Section 4.1(a) in connection with a Chicago Public Sector Business Spin-Off, an Eligible Business Sale or to Subsidiaries of Everett and to Everett's and its sublicensed Subsidiaries' vendors and contractors that have been engaged by Everett or one of its sublicensed Subsidiaries to provide services to Everett or such sublicensed Subsidiary, solely with respect to the products and services being provided by the

Everett Business as of or prior to the Distribution Date and natural evolutions thereof, but in all cases excluding any Chicago Products or Services. Everett will protect the confidentiality of the Houston Technology in a manner no less protective than the protections implemented by the Everett Business prior to the Distribution Date. Everett shall be responsible for any failure of its sublicensees to comply with the terms and conditions of this IPMA. For purposes of clarity, any sublicenses granted pursuant to this Section shall exclude any Chicago Products or Services.

(c) Subject to Section 4.3, Houston hereby grants, and shall cause the other members of the Houston Group to grant, to Everett a non-exclusive, non-transferable (except as provided in Section 8.2), non-sublicensable, worldwide, fully paid-up, royalty-free license to internally use, modify, update, upgrade, enhance, improve, reproduce, and prepare derivative works of Trade Secrets (excluding any Source Code) that are (i) owned by Houston or any other member of the Houston Group immediately prior to the Distribution Date, (ii) in the possession of the Everett Business prior to the Distribution Date, and (iii) used in the conduct of the Everett Business prior to the Distribution Date, for the sole purpose of developing, maintaining or supporting the products and services being provided by the Everett Business as of or prior to the Distribution Date and natural evolutions thereof, but in all cases excluding any Chicago Products or Services.

#### Section 4.2 **Distribution License**.

(a) Subject to Section 4.3, Houston hereby grants, and shall cause the other members of the Houston Group to grant, to Everett a non-exclusive, non-transferable (except as provided in Section 8.2), sublicensable (solely and to the extent provided in Section 4.2(b)), worldwide, fully paid-up, royalty-free license to distribute or otherwise make available to any third party the Software included in Houston Technology, solely in Object Code form and solely to the extent such Software is incorporated in any products or services being provided by the Everett Business as of or prior to the Distribution Date and natural evolutions thereof, but in all cases excluding Chicago Products or Services.

(b) Everett may sublicense the rights granted in Section 4.2(a) only in connection with a Chicago Public Sector Business Spin-Off, an Eligible Business Sale or to its distributors and customers, through multiple tiers. For purposes of clarity, any sublicenses granted pursuant to this Section shall exclude any Chicago Products or Services.

#### Section 4.3 **License Restrictions**. Notwithstanding any provision contained herein to the contrary:

(a) any Software included in the Houston Technology that has been used only on an internal basis by the Everett Business as of the Distribution Date may be used by Everett solely on an internal basis pursuant to Section 4.1 and not distributed, sublicensed or otherwise made available to any third party pursuant to the license granted under Section 4.2 or on any other basis;

(b) Houston Third Party Technology is licensed to Everett subject to all applicable limitations and restrictions under which such Houston Third Party Technology is licensed by the applicable third party to Houston or any member of the Houston Group; and

(c) to the extent the Houston Owned Technology includes any Software products of Houston or any other member of the Houston Group that are made generally commercially available by Houston or any other member of the Houston Group, upon request by Everett, Houston will use, and shall cause any member of the Houston Group to use, good faith efforts to enter into standard customer or other commercial agreements with Everett or customers of the Everett Business with respect to such Software products.

Section 4.4 **No Support Obligations.** Houston has no obligation to deliver any Source Code or other Software, any documentation or any other materials that are not in the possession of the Everett Business prior to the Distribution Date. Houston has no obligation to provide any technical, consulting, support or other services related to the Houston Technology or the Transferred Technology. Specifically and without limitation, Houston has no obligation to provide any updates or upgrades or other enhancements or improvements of or to the Houston Technology.

## **ARTICLE V REPRESENTATIONS AND WARRANTIES; DISCLAIMERS**

Section 5.1 **Representations and Warranties.** Houston hereby represents and warrants to Everett that:

(a) Houston has the right and authority to assign or grant the rights assigned or granted hereunder in accordance with the terms of this IPMA;

(b) To the Knowledge of Houston, the Transferred IP includes all material Intellectual Property Rights used exclusively in the conduct of the Everett Business; and

(c) To the Knowledge of Houston, all necessary registration, maintenance and renewal fees that are currently due within sixty (60) days of the Distribution Date in connection with the Transferred IP have been paid and all necessary documents, recordings and certifications currently required in connection with the Transferred IP have been filed with the relevant Governmental Authority for the purpose of registering, maintaining, renewing and recording such Transferred IP.

Section 5.2 **Disclaimer of Warranties.** Subject to Section 5.1, (a) the licenses to the Houston Technology granted by Houston hereunder are granted on an "AS-IS" BASIS AND (b) HOUSTON HEREBY DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OR ANY OTHER MATTER WITH RESPECT TO THE INTELLECTUAL PROPERTY RIGHTS ASSIGNED OR LICENSED HEREUNDER. HOUSTON MAKES NO REPRESENTATION OR WARRANTY AS TO ANY ABILITY TO PASS THROUGH OR EXTEND ANY THIRD PARTY RIGHTS IN THE HOUSTON TECHNOLOGY.

Section 5.3 **No Implied Licenses.** Other than as expressly stated in this IPMA, no other rights or licenses are granted by any Party under this IPMA or the Separation Agreement, by implication, estoppel or otherwise with respect to any Intellectual Property Rights or Technology owned or controlled by any Party or any member of its Group. Everett covenants

that it shall not, and shall ensure that its permitted sublicensees under Section 4.1(b) shall not, use any Houston Technology in any manner that exceeds the scope of rights expressly granted in this IPMA or breach any of the restrictions or limitations imposed hereunder. Houston covenants that it shall not, and shall ensure that the members of its Group shall not, use any Transferred Patents in any manner that exceeds the scope of rights expressly granted in this IPMA or breach any of the restrictions or limitations imposed hereunder.

## **ARTICLE VI CONFIDENTIALITY**

Section 6.1 **Confidentiality**. Each Party agrees that the other Party's Confidential Information shall be used, disclosed, or copied by such Party only in furtherance of the exercise of the rights granted under this IPMA. All Houston Confidential Information used, disclosed, or copied by Everett as of or prior to the Distribution Date in the ordinary course of business consistent with past practice shall be deemed to be so used, disclosed, or copied in furtherance of the exercise of the rights granted under this IPMA, provided that such use, disclosure, or copying is consistent with the licenses granted under this IPMA. Each Party shall use, as a minimum, the same degree of care as it uses to protect its own Confidential Information of a similar nature, but no less than reasonable care, to prevent the unauthorized use, disclosure or publication of the other Party's Confidential Information. Without limiting the generality of the foregoing:

(a) Each Party shall only disclose the other Party's Confidential Information to its employees or any individual or entity that (i) is a sublicensee to which rights are sublicensed as permitted under this IPMA, or (ii) has a bona fide need to access the other Party's Confidential Information consistent with such Party's rights under this IPMA, in each case, pursuant to confidentiality obligations no less restrictive than the obligations imposed by the Everett Business prior to the Distribution Date.

(b) Each Party shall affix to any copies it makes of any of the other Party's Confidential Information, all proprietary notices or legends affixed to the other Party's Confidential Information as they appear on the copies of the other Party's Confidential Information originally received from the other Party.

Section 6.2 **Exclusions**. Each Party shall not be bound by obligations restricting disclosure set forth in this IPMA with respect to any of the other Party's Confidential Information which:

(a) was lawfully in the public domain prior to its disclosure, or lawfully becomes publicly available other than through a breach of this IPMA or any other confidentiality obligation in respect of such information;

(b) was disclosed to the recipient by a third party provided such third party, or any other party from whom such third party receives such information, is not in breach of any confidentiality obligation in respect of such information; or

(c) is independently developed by the recipient, as evidenced by its business records.



Section 6.3 **Court Compelled Disclosures**. Each Party shall be excused from the confidentiality obligations with respect to disclosure of the other Party's Confidential Information solely to the extent such disclosure is compelled pursuant to legal, judicial, or administrative proceedings, or otherwise required by law, but solely to the extent required thereby, provided that such Party advises the other Party of any such disclosure in a timely manner prior to making any such disclosure (so that the other Party can apply for such legal protection as may be available with respect to the confidentiality of the information which is to be disclosed), and provided that such Party shall apply for such legal protection as may be reasonably available with respect to the confidentiality of the other Party's Confidential Information which is required to be disclosed. Notwithstanding such compelled disclosure, the applicable Confidential Information of the other Party shall remain subject to the confidentiality obligations in this Article VI in all other contexts.

## **ARTICLE VII TERM AND TERMINATION**

Section 7.1 **Term**. This IPMA shall be effective during the term commencing on the Effective Date hereof and shall continue perpetually unless terminated by mutual agreement between the Parties or unless terminated pursuant to Section 7.2.

Section 7.2 **Termination**. In the event that either Party (the "**Breaching Party**") shall commit any material breach or default of any of its obligations under this IPMA, the other Party (the "**Non-Breaching Party**") may give the Breaching Party written notice of such breach or default requesting that such breach or default be cured promptly, and in any event within thirty (30) days. In the event that the Breaching Party fails to cure such breach or default within thirty (30) days after the date of the Non-Breaching Party's written notice hereunder, the Non-Breaching Party may terminate this IPMA with respect to the Intellectual Property Rights licensed to the Breaching Party to which the breach relates in accordance with Section 7.3 upon providing ten (10) business days prior written notice of termination to the Breaching Party. Termination of this IPMA in accordance with this Section shall not affect or impair the Non-Breaching Party's right to pursue any legal remedy, including the right to recover damages for any harm suffered or incurred as a result of the Breaching Party's breach or default hereunder.

Section 7.3 **Effect of Termination**. Upon termination under Section 7.2, all rights and licenses that may be granted to the Breaching Party in Article III and Article IV of this IPMA shall immediately terminate and the Breaching Party shall immediately cease all use and exploitation of any Intellectual Property Rights or Technology granted therein as to which the rights under this IPMA have terminated. For purposes of clarity, the rights and licenses granted to the Non-Breaching Party, as well as all other rights not terminated, shall continue and survive such termination of this IPMA.

Section 7.4 **Survival**. Section 7.4 and Articles V, VI and VIII shall survive and continue after any termination of this IPMA. Solely with respect to a Non-Breaching Party or to those rights that have not been terminated, Articles III and IV shall survive and continue after any termination of this IPMA.

## ARTICLE VIII MISCELLANEOUS

Section 8.1 **Incorporation by Reference**. This IPMA is subject to all of the terms, conditions and limitations set forth in Articles VIII and IX of the Separation Agreement, which by this reference are hereby incorporated into and made a part of this IPMA, mutatis mutandis, as if they were set forth in their entirety herein.

Section 8.2 **Assignment**. This IPMA shall not be assigned by any Party without the prior written consent of the other Party, except that: (a) on a one-time basis only, Everett may assign this IPMA, in whole, but not in part, to Chicago without Houston's prior written consent and (b) on a one-time basis only, Everett or Chicago may assign this IPMA, in whole, but not in part, in connection with a Chicago Public Sector Business Spin-Off; in each case, provided that (i) the permitted assignee under this Section 8.2 agrees in writing to be bound by the terms and conditions of this IPMA in the same manner as Everett is bound under this IPMA (and a copy of such executed writing is provided to Houston), (ii) the permitted assignor no longer retains any rights under this IPMA and (iii) Chicago is not permitted to further assign this IPMA without Houston's prior written consent, except that such consent is not required in connection with a merger, consolidation, sale of all or substantially all of Chicago's businesses or assets. The provisions of this IPMA and the obligations and rights under this IPMA shall be binding upon, inure to the benefit of and be enforceable by (and against) the Parties and their respective successors and permitted transferees and assigns.

Section 8.3 **Entire Agreement**. Subject to Section 8.4, this Agreement, the other Transaction Documents, and the schedules and exhibits hereto and thereto constitutes the entire agreement of the Parties with respect to the subject matter of this IPMA and supersedes all prior agreements and undertakings, both written and oral, between or on behalf of the Parties with respect to the subject matter of this IPMA.

Section 8.4 **Order of Precedence**. In the event of any conflict between the provisions of this IPMA and any other provision in the Separation Agreement or any other Transaction Document, the provisions of this IPMA shall control with respect to Intellectual Property Rights and Technology.

IN WITNESS WHEREOF, the Parties have caused this IPMA to be executed and delivered by their respective duly authorized officers, all as of the Distribution Date.

HEWLETT PACKARD ENTERPRISE COMPANY

By: \_\_\_\_\_  
Name: Rishi Varma  
Title: SVP, Deputy General Counsel

HEWLETT PACKARD ENTERPRISE  
DEVELOPMENT LP

By: \_\_\_\_\_  
Name: Rishi Varma  
Title: Authorized Signatory

EVERETT SPINCO, INC.

By: \_\_\_\_\_  
Name: Rishi Varma  
Title: President and Secretary

[SIGNATURE PAGE TO THE IP MATTERS AGREEMENT]

**CERTIFICATE OF INCORPORATION  
OF**

**EVERETT SPINCO, INC.  
(a Delaware corporation)**

**ARTICLE I  
NAME**

The name of the corporation is Everett SpinCo, Inc. (the “Corporation”).

**ARTICLE II  
AGENT**

The address of the Corporation’s registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

**ARTICLE III  
PURPOSE**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the “DGCL”).

**ARTICLE IV  
STOCK**

The Corporation shall be authorized to issue one class of stock to be designated Common Stock; the total number of shares of Common Stock which the Corporation shall have authority to issue is one thousand (1,000), and each such share shall have a par value of one cent (\$0.01).

**ARTICLE V  
ELECTION OF DIRECTORS**

Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

**ARTICLE VI  
EXISTENCE**

The Corporation shall have perpetual existence.

**ARTICLE VII  
AMENDMENT**

Section 7.1 Amendment of Certificate of Incorporation. The Corporation reserves the right at any time, and from time to time, to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by the laws of the State of Delaware, and all powers, preferences and rights of any nature conferred upon stockholders, directors or any other persons by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to this reservation.

Section 7.2 Amendment of Bylaws. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to adopt, amend or repeal the Bylaws of the Corporation.

**ARTICLE VIII  
LIABILITY OF DIRECTORS**

Section 8.1 No Personal Liability. To the fullest extent permitted by the DGCL as the same exists or as may hereafter be amended, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

Section 8.2 Amendment or Repeal. Any amendment, alteration or repeal of this Article VIII that adversely affects any right of a director shall be prospective only and shall not limit or eliminate any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

**ARTICLE IX  
INCORPORATOR**

The name and mailing address of the incorporator are as follows:

Louie S. Hopkins  
c/o Gibson, Dunn & Crutcher LLP  
333 South Grand Avenue  
Los Angeles, CA 90071

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the undersigned incorporator hereby acknowledges that the foregoing Certificate of Incorporation is his act and deed and that the facts stated herein are true.

Dated: May 19, 2016

/s/ Louie S. Hopkins

Louie S. Hopkins, Incorporator

*Signature Page to Certificate of Incorporation*

**BYLAWS**  
**OF**  
**EVERETT SPINCO, INC.**  
**(a Delaware corporation)**

**ARTICLE I**  
**CORPORATE OFFICES**

Section 1.1 Registered Office. The registered office of the Corporation shall be fixed in the Certificate of Incorporation of the Corporation.

Section 1.2 Other Offices. The Corporation may also have an office or offices, and keep the books and records of the Corporation, except as otherwise required by law, at such other place or places, either within or without the State of Delaware, as the Board of Directors may from time to time determine or the business of the Corporation may require.

**ARTICLE II**  
**MEETINGS OF STOCKHOLDERS**

Section 2.1 Annual Meeting. The annual meeting of stockholders, for the election of directors and for the transaction of such other business as may properly come before the meeting, shall be held at such place, if any, either within or without the State of Delaware, on such date, and at such time as the Board of Directors shall fix. The Board of Directors may postpone, reschedule or cancel any annual meeting of stockholders previously scheduled by the Board of Directors.

Section 2.2 Special Meeting. Except as otherwise required by law, and except as otherwise provided for or fixed pursuant to the Certificate of Incorporation, a special meeting of the stockholders of the Corporation: (i) may be called at any time by the Board of Directors; and (ii) shall be called by the Chairman of the Board of Directors or the Secretary of the Corporation upon the written request or requests of one or more stockholders of record that, at the time a request is delivered, hold shares representing at least 10% of the voting power of the stock entitled to vote on the matter or matters to be brought before the proposed special meeting. Except as otherwise required by law, and except as otherwise provided for or fixed pursuant to the Certificate of Incorporation, special meetings of the stockholders of the Corporation may not be called by any other person or persons. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. If none of the stockholders who submitted the special meeting request (or their qualified representatives) appears at the special meeting to present the matter or matters to be brought before the special meeting that were specified in the special meeting request(s), the Corporation need not present the matter or matters for a vote at the meeting, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

### Section 2.3 Notice of Stockholders' Meetings.

(a) Whenever stockholders are required or permitted to take any action at a meeting, notice of the place, if any, date, and time of the meeting of stockholders, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for determining the stockholders entitled to notice of the meeting) and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, shall be given. The notice shall be given not less than 10 nor more than 60 days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting, except as otherwise provided by law, the Certificate of Incorporation or these Bylaws. In the case of a special meeting, the purpose or purposes for which the meeting is called also shall be set forth in the notice. Notice may be given personally, by mail or by electronic transmission in accordance with Section 232 of the General Corporation Law of the State of Delaware (the "DGCL"). If mailed, such notice shall be deemed given when deposited in the United States mail, postage prepaid, directed to each stockholder at such stockholder's address as it appears on the records of the Corporation. Notice by electronic transmission shall be deemed given as provided in Section 232 of the DGCL. An affidavit that notice has been given, executed by the Secretary of the Corporation, Assistant Secretary or any transfer agent or other agent of the Corporation, shall be prima facie evidence of the facts stated in the notice in the absence of fraud. Notice shall be deemed to have been given to all stockholders who share an address if notice is given in accordance with Section 233 of the DGCL.

(b) When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the place, if any, date and time thereof, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken; provided, however, that if the adjournment is for more than 30 days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix a new record date for notice of such adjourned meeting in accordance with Section 7.5(a), and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting.

### Section 2.4 Organization.

(a) Meetings of stockholders shall be presided over by the Chairman of the Board of Directors, if any, or in his or her absence, by the President or, in his or her absence, by another person designated by the Board of Directors. The Secretary of the Corporation, or in his or her absence, an Assistant Secretary, or in the absence of the Secretary and all Assistant Secretaries, a person whom the chairman of the meeting shall appoint, shall act as secretary of the meeting and keep a record of the proceedings thereof.



(b) The date and time of the opening and the closing of the polls for each matter upon which the stockholders shall vote at a meeting of stockholders shall be announced at the meeting. The Board of Directors may adopt such rules and regulations for the conduct of any meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of the meeting shall have the authority to adopt and enforce such rules and regulations for the conduct of any meeting of stockholders and the safety of those in attendance as, in the judgment of the chairman, are necessary, appropriate or convenient for the conduct of the meeting. Rules and regulations for the conduct of meetings of stockholders, whether adopted by the Board of Directors or by the chairman of the meeting, may include without limitation, establishing: (i) an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies and such other persons as the chairman of the meeting shall permit; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; (v) limitations on the time allotted for consideration of each agenda item and for questions and comments by participants; (vi) regulations for the opening and closing of the polls for balloting and matters which are to be voted on by ballot (if any); and (vii) procedures (if any) requiring attendees to provide the Corporation advance notice of their intent to attend the meeting. Subject to any rules and regulations adopted by the Board of Directors, the chairman of the meeting may convene and, for any or no reason, from time to time, adjourn and/or recess any meeting of stockholders pursuant to Section 2.7. The chairman of the meeting, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall have the power and duty to declare that a nomination or other business was not properly brought before the meeting if the facts warrant, and if such chairman should so declare, such nomination shall be disregarded or such other business shall not be transacted.

Section 2.5 List of Stockholders. The officer who has charge of the stock ledger shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting; provided, however, that if the record date for determining the stockholders entitled to vote is less than 10 days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the 10th day before the meeting date. Such list shall be arranged in alphabetical order and shall show the address of each stockholder and the number of shares registered in the name of each stockholder. Nothing in this Section 2.5 shall require the Corporation to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting at least 10 days prior to the meeting (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting or (b) during ordinary business hours at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then a list of stockholders entitled to vote at the meeting shall be produced and kept at the time and place of the meeting during the whole time thereof and may be examined by any

stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Except as otherwise required by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section 2.5 or to vote in person or by proxy at any meeting of stockholders.

Section 2.6 Quorum. Except as otherwise required by law, the Certificate of Incorporation or these Bylaws, at any meeting of stockholders, a majority of the voting power of the stock outstanding and entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business. If a quorum is not present or represented at any meeting of stockholders, then the chairman of the meeting, or a majority of the voting power of the stock present in person or represented by proxy at the meeting and entitled to vote thereon, shall have power to adjourn or recess the meeting from time to time in accordance with Section 2.7, until a quorum is present or represented. Subject to applicable law, if a quorum initially is present at any meeting of stockholders, the stockholders may continue to transact business until adjournment or recess, notwithstanding the withdrawal of enough stockholders to leave less than a quorum, but if a quorum is not present at least initially, no business other than adjournment or recess may be transacted.

Section 2.7 Adjourned or Recessed Meeting. Any annual or special meeting of stockholders, whether or not a quorum is present, may be adjourned or recessed for any reason from time to time by the chairman of the meeting, subject to any rules and regulations adopted by the Board of Directors pursuant to Section 2.4(b), and may be adjourned for any reason from time to time by a majority of the voting power of the stock present in person or represented by proxy at the meeting and entitled to vote thereon. At any such adjourned or recessed meeting at which a quorum may be present, any business may be transacted that might have been transacted at the meeting as originally called.

#### Section 2.8 Voting.

(a) Except as otherwise required by law or the Certificate of Incorporation, each holder of stock of the Corporation entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of such stock held of record by such holder that has voting power upon the subject matter in question.

(b) Except as otherwise required by law, the Certificate of Incorporation, these Bylaws or any law, rule or regulation applicable to the Corporation or its securities, at each meeting of stockholders at which a quorum is present, all corporate actions to be taken by vote of the stockholders shall be authorized by the affirmative vote of at least a majority of the voting power of the stock present in person or represented by proxy and entitled to vote on the subject matter, and where a separate vote by class or series or classes or series is required, if a quorum of such class or series or classes or series is present, such act shall be authorized by the affirmative vote of at least a majority of the voting power of the stock of such class or series or classes or series present in person or represented by proxy and entitled to vote on the subject matter. Voting at meetings of stockholders need not be by written ballot.

Section 2.9 Proxies. Every stockholder entitled to vote for directors, or on any other matter, shall have the right to do so either in person or by one or more persons authorized to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary of the Corporation a revocation of the proxy or executed new proxy bearing a later date.

Section 2.10 Action by Written Consent.

(a) Except as otherwise provided for or fixed pursuant to the provisions of the Certificate of Incorporation, any action required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, are signed by the holders of the outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. To be effective, a written consent must be delivered to the Corporation by delivery to its registered agent in the State of Delaware. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Every written consent shall bear the date of signature of each stockholder who signs the consent, and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated consent delivered in the manner required by this Section 2.10 to the Corporation, written consents signed by a sufficient number of holders to take action are delivered to the Corporation in accordance with this Section 2.10. Any person executing a consent may provide, whether through instruction to an agent or otherwise, that such a consent shall be effective at a future time (including a time determined upon the happening of an event), no later than 60 days after such instruction is given or such provision is made, and if evidence of such instruction or provision is provided to the Corporation, such later effective time shall serve as the date of signature. Unless otherwise provided, any such consent shall be revocable prior to its becoming effective.

(b) Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for notice of such meeting had been the date that written consents signed by a sufficient number of stockholders to take the action were delivered to the Corporation in the manner required by this Section 2.10.

Section 2.11 Meetings by Remote Communications. The Board of Directors may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, but may instead be held solely by means of remote communication in accordance with Section 211(a)(2) of the DGCL. If authorized by the Board of Directors in its sole discretion, and subject to such guidelines and procedures as the Board of Directors may adopt, stockholders and proxyholders not physically present at a meeting of stockholders may, by means of remote communication (a) participate in a meeting of stockholders and (b) be deemed present in person and vote at a meeting of stockholders whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (i) the Corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder; (ii) the Corporation shall implement reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings; and (iii) if any stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the Corporation.

### **ARTICLE III DIRECTORS**

Section 3.1 Powers. Subject to the provisions of the DGCL and to any limitations in the Certificate of Incorporation relating to action required to be approved by the stockholders, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authorities these Bylaws expressly confer upon it, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law, the Certificate of Incorporation or these Bylaws required to be exercised or done by the stockholders.

Section 3.2 Number, Term of Office and Election. Except as otherwise provided for or fixed pursuant to the Certificate of Incorporation, the Board of Directors shall consist of such number of directors as shall be determined from time to time solely by resolution adopted by the affirmative vote of a majority of the total number of directors then authorized (hereinafter referred to as the "Whole Board"). At any meeting of stockholders at which directors are to be elected, directors shall be elected by a plurality of the votes cast. Each director shall hold office until the next election of directors and until his or her successor shall have been duly elected and qualified. Directors need not be stockholders unless so required by the Certificate of Incorporation or these Bylaws, wherein other qualifications for directors may be prescribed.

#### **Section 3.3 Vacancies.**

(a) Unless otherwise required by law, newly created directorships resulting from any increase in the authorized number of directors and any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled by the affirmative vote of a majority of the remaining directors then in office and entitled to vote thereon, even though less than a quorum, or by the sole remaining director, and any director so chosen shall hold office until the next election of directors and until his or her successor shall have been duly elected and qualified. No decrease in the authorized number of directors shall shorten the term of any incumbent director.

#### Section 3.4 Resignations and Removal.

(a) Any director may resign at any time upon notice given in writing or by electronic transmission to the Board of Directors, the Chairman of the Board of Directors or the Secretary of the Corporation. Such resignation shall take effect upon delivery, unless the resignation specifies a later effective date or time or an effective date or time determined upon the happening of an event or events. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

(b) Unless otherwise restricted by law, any director or the entire Board of Directors may be removed, with or without cause, by the affirmative vote of at least a majority of the voting power of the stock outstanding and entitled to vote thereon.

Section 3.5 Regular Meetings. Regular meetings of the Board of Directors shall be held at such place or places, within or without the State of Delaware, on such date or dates and at such time or times, as shall have been established by the Board of Directors and publicized among all directors. A notice of each regular meeting shall not be required.

Section 3.6 Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairman of the Board of Directors, the President or a majority of the directors then in office. The person or persons authorized to call special meetings of the Board of Directors may fix the place, within or without the State of Delaware, date and time of such meetings. Notice of each such meeting shall be given to each director, if by mail, addressed to such director at his or her residence or usual place of business, at least five days before the day on which such meeting is to be held, or shall be sent to such director by electronic transmission, or be delivered personally or by telephone, in each case at least 24 hours prior to the time set for such meeting. A notice of special meeting need not state the purpose of such meeting, and, unless indicated in the notice thereof, any and all business may be transacted at a special meeting.

Section 3.7 Participation in Meetings by Conference Telephone. Members of the Board of Directors, or of any committee thereof, may participate in a meeting of such Board of Directors or committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

Section 3.8 Quorum and Voting. Except as otherwise required by law, the Certificate of Incorporation or these Bylaws, a majority of the Whole Board shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, and the vote of a majority of the directors present at a duly held meeting at which a quorum is present shall be the act of the Board of Directors. The chairman of the meeting or a majority of the directors present may adjourn the meeting to another time and place whether or not a quorum is present. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called.

Section 3.9 Board of Directors Action by Written Consent Without a Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or any committee thereof, may be taken without a meeting, provided that all members of the Board of Directors or committee, as the case may be, consent in writing or by electronic transmission to such action, and the writing or writings or electronic transmission or transmissions are filed with the minutes or proceedings of the Board of Directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form. Any person (whether or not then a director) may provide, whether through instruction to an agent or otherwise, that a consent to action shall be effective at a future time (including a time determined upon the happening of an event), no later than 60 days after such instruction is given or such provision is made and such consent shall be deemed to have been given at such effective time so long as such person is then a director and did not revoke the consent prior to such time. Any such consent shall be revocable prior to its becoming effective.

Section 3.10 Chairman of the Board. The Chairman of the Board shall preside at meetings of stockholders and directors and shall perform such other duties as the Board of Directors may from time to time determine. If the Chairman of the Board is not present at a meeting of the Board of Directors, another director chosen by the Board of Directors shall preside.

Section 3.11 Rules and Regulations. The Board of Directors shall adopt such rules and regulations not inconsistent with the provisions of law, the Certificate of Incorporation or these Bylaws for the conduct of its meetings and management of the affairs of the Corporation as the Board of Directors shall deem proper.

Section 3.12 Fees and Compensation of Directors. Directors may receive such compensation, if any, for their services on the Board of Directors and its committees, and such reimbursement of expenses, as may be fixed or determined by resolution of the Board of Directors.

Section 3.13 Emergency Bylaws. In the event of any emergency, disaster or catastrophe, as referred to in Section 110 of the DGCL, or other similar emergency condition, as a result of which a quorum of the Board of Directors or a standing committee of the Board of Directors cannot readily be convened for action, then the director or directors in attendance at the meeting shall constitute a quorum. Such director or directors in attendance may further take action to appoint one or more of themselves or other directors to membership on any standing or temporary committees of the Board of Directors as they shall deem necessary and appropriate.

## **ARTICLE IV COMMITTEES**

Section 4.1 Committees of the Board of Directors. The Board of Directors may, by resolution adopted by a majority of the Whole Board, designate one or more committees, each such committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee to replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent permitted by law and provided in the resolution of the Board of Directors establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (a) approving or adopting, or recommending to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the DGCL to be submitted to stockholders for approval or (b) adopting, amending or repealing any bylaw of the Corporation. All committees of the Board of Directors shall keep minutes of their meetings and shall report their proceedings to the Board of Directors when requested or required by the Board of Directors.

Section 4.2 Meetings and Action of Committees. Unless the Board of Directors provides otherwise by resolution, any committee of the Board of Directors may adopt, alter and repeal such rules and regulations not inconsistent with the provisions of law, the Certificate of Incorporation or these Bylaws for the conduct of its meetings as such committee may deem proper.

## **ARTICLE V OFFICERS**

Section 5.1 Officers. The officers of the Corporation shall consist of a President, a Chief Financial Officer, one or more Vice Presidents, and a Secretary, and such other officers as the Board of Directors may from time to time determine, each of whom shall be elected by the Board of Directors, each to have such authority, functions or duties as set forth in these Bylaws or as determined by the Board of Directors. Each officer shall be elected by the Board of Directors and shall hold office for such term as may be prescribed by the Board of Directors and until such person's successor shall have been duly elected and qualified, or until such person's earlier death, disqualification, resignation or removal. Any number of offices may be held by the same person; provided, however, that no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument is required by law, the Certificate of Incorporation or these Bylaws to be executed, acknowledged or verified by two or more officers. The Board of Directors may require any officer, agent or employee to give security for the faithful performance of his or her duties.

Section 5.2 Compensation. The salaries of the officers of the Corporation and the manner and time of the payment of such salaries shall be fixed and determined by the Board of Directors and may be altered by the Board of Directors from time to time as it deems appropriate, subject to the rights, if any, of such officers under any contract of employment.

Section 5.3 Removal, Resignation and Vacancies. Any officer of the Corporation may be removed, with or without cause, by the Board of Directors, without prejudice to the rights, if any, of such officer under any contract to which it is a party. Any officer may resign at any time upon notice given in writing or by electronic transmission to the Corporation, without prejudice to the rights, if any, of the Corporation under any contract to which such officer is a party. If any vacancy occurs in any office of the Corporation, the Board of Directors may elect a successor to fill such vacancy for the remainder of the unexpired term and until a successor shall have been duly elected and qualified.

Section 5.4 President. The President shall be the chief operating officer of the Corporation, with general responsibility for the management and control of the operations of the Corporation. The President shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as the Board of Directors may from time to time determine.

Section 5.5 Chief Financial Officer. The Chief Financial Officer shall exercise all the powers and perform the duties of the office of the chief financial officer and in general have overall supervision of the financial operations of the Corporation. The Chief Financial Officer shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as the Board of Directors or the President may from time to time determine.

Section 5.6 Vice Presidents. Each Vice President shall have such powers and duties as shall be prescribed by his or her superior officer or the President. A Vice President shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as the Board of Directors or the President may from time to time determine.

Section 5.7 Secretary. The powers and duties of the Secretary are: (i) to act as Secretary at all meetings of the Board of Directors, of the committees of the Board of Directors and of the stockholders and to record the proceedings of such meetings in a book or books to be kept for that purpose; (ii) to see that all notices required to be given by the Corporation are duly given and served; (iii) to act as custodian of the seal of the Corporation and affix the seal or cause it to be affixed to all certificates of stock of the Corporation and to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these Bylaws; (iv) to have charge of the books, records and papers of the Corporation and see that the reports, statements and other documents required by law to be kept and filed are properly kept and filed; and (v) to perform all of the duties incident to the office of Secretary. The Secretary shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as the Board of Directors or the President may from time to time determine.



Section 5.8 Additional Matters. The President and the Chief Financial Officer of the Corporation shall have the authority to designate employees of the Corporation to have the title of Vice President, Assistant Vice President, or Assistant Secretary. Any employee so designated shall have the powers and duties determined by the officer making such designation. The persons upon whom such titles are conferred shall not be deemed officers of the Corporation unless elected by the Board of Directors.

Section 5.9 Checks; Drafts; Evidences of Indebtedness. From time to time, the Board of Directors shall determine the method, and designate (or authorize officers of the Corporation to designate) the person or persons who shall have authority, to sign or endorse all checks, drafts, other orders for payment of money, notes, bonds, debentures or other evidences of indebtedness that are issued in the name of or payable by the Corporation, and only the persons so authorized shall sign or endorse such instruments.

Section 5.10 Corporate Contracts and Instruments; How Executed. Except as otherwise provided in these Bylaws, the Board of Directors may determine the method, and designate (or authorize officers of the Corporation to designate) the person or persons who shall have authority, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation. Such authority may be general or confined to specific instances. Unless so authorized, or within the power incident to a person's office or other position with the Corporation, no person shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 5.11 Signature Authority. Unless otherwise specifically determined by the Board of Directors or otherwise provided by law or these Bylaws, contracts, evidences of indebtedness and other instruments or documents of the Corporation may be executed, signed or endorsed: (i) by the President; or (ii) by the Chief Financial Officer, any Vice President or Secretary, in each case only with regard to such instruments or documents that pertain to or relate to such person's duties or business functions.

Section 5.12 Action with Respect to Securities of Other Corporations or Entities. The President or any other officer of the Corporation authorized by the Board of Directors or the President is authorized to vote, represent, and exercise on behalf of the Corporation all rights incident to any and all shares or other equity interests of any other corporation or entity, or corporations or entities, standing in the name of the Corporation. The authority herein granted may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by the person having such authority.

Section 5.13 Delegation. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding the foregoing provisions of this Article V.

**ARTICLE VI**  
**INDEMNIFICATION AND ADVANCEMENT OF EXPENSES**

Section 6.1 Right to Indemnification.

(a) Each person who was or is a party or is threatened to be made a party to, or was or is otherwise involved in, any action, suit, arbitration, alternative dispute mechanism, inquiry, judicial, administrative or legislative hearing, investigation or any other threatened, pending or completed proceeding, whether brought by or in the right of the Corporation or otherwise, including any and all appeals, whether of a civil, criminal, administrative, legislative, investigative or other nature (hereinafter a “proceeding”), by reason of the fact that he or she is or was a director or an officer of the Corporation or while a director or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, employee, agent or trustee of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an “indemnatee”), or by reason of anything done or not done by him or her in any such capacity, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended, against all expense, liability and loss (including attorneys’ fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement by or on behalf of the indemnatee) actually and reasonably incurred by such indemnatee in connection therewith; provided, however, that, except as otherwise required by law or provided in Section 6.3 with respect to proceedings to enforce rights under this Article VI, the Corporation shall indemnify any such indemnatee in connection with a proceeding, or part thereof, initiated by such indemnatee (including claims and counterclaims, whether such counterclaims are asserted by (i) such indemnatee, or (ii) the Corporation in a proceeding initiated by such indemnatee) only if such proceeding, or part thereof, was authorized or ratified by the Board of Directors.

(b) To receive indemnification under this Section 6.1, an indemnatee shall submit a written request to the Corporation. Such request shall include documentation or information that is necessary to determine the entitlement of the indemnatee to indemnification and that is reasonably available to the indemnatee. Upon receipt by the Corporation of such a written request, the entitlement of the indemnatee to indemnification shall be determined by the following person or persons who shall be empowered to make such determination: (i) the Board of Directors by a majority vote of the directors who are not parties to such proceeding, whether or not such majority constitutes a quorum, (ii) a committee of such directors designated by a majority vote of such directors, whether or not such majority constitutes a quorum, (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to the indemnatee, (iv) the stockholders of the Corporation or (v) in the event that a change of control (as defined below) has occurred, by independent legal counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to the indemnatee. The determination of entitlement to indemnification shall be made and, unless a contrary determination is made, such indemnification shall be paid in full by the Corporation not later than 60 days after receipt by the Corporation of a written request for indemnification. For purposes of this

Section 6.1(b), a “change of control” will be deemed to have occurred if the individuals who, as of the effective date of these Bylaws, constitute the Board of Directors (the “incumbent board”) cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to such effective date whose election, or nomination for election by the stockholders of the Corporation, was approved by a vote of at least a majority of the directors then comprising the incumbent board shall be considered as though such individual were a member of the incumbent board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board of Directors.

Section 6.2 Right to Advancement of Expenses.

(a) In addition to the right to indemnification conferred in Section 6.1, an indemnitee shall, to the fullest extent not prohibited by law, also have the right to be paid by the Corporation the expenses (including attorneys’ fees) incurred in defending any proceeding with respect to which indemnification is required under Section 6.1 in advance of its final disposition (hereinafter an “advancement of expenses”); provided, however, that an advancement of expenses shall be made only upon delivery to the Corporation of an undertaking (hereinafter an “undertaking”), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision of a court of competent jurisdiction from which there is no further right to appeal (hereinafter a “final adjudication”) that such indemnitee is not entitled to be indemnified for such expenses under this Article VI or otherwise.

(b) To receive an advancement of expenses under this Section 6.2, an indemnitee shall submit a written request to the Corporation. Such request shall reasonably evidence the expenses incurred by the indemnitee and shall include or be accompanied by the undertaking required by Section 6.2(a). Each such advancement of expenses shall be made within 20 days after the receipt by the Corporation of a written request for advancement of expenses.

(c) Notwithstanding the foregoing Section 6.2(a), the Corporation shall not make or continue to make advancements of expenses to an indemnitee (except by reason of the fact that the indemnitee is or was a director of the Corporation, in which event this Section 6.2(c) shall not apply) if a determination is reasonably made that the facts known at the time such determination is made demonstrate clearly and convincingly that the indemnitee acted in bad faith or in a manner that the indemnitee did not reasonably believe to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal proceeding, that the indemnitee had reasonable cause to believe his or her conduct was unlawful. Such determination shall be made: (i) by the Board of Directors by a majority vote of directors who are not parties to such proceeding, whether or not such majority constitutes a quorum, (ii) by a committee of such directors designated by a majority vote of such directors, whether or not such majority constitutes a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to the indemnitee.

Section 6.3 Right of Indemnitee to Bring Suit. In the event that a determination is made that the indemnitee is not entitled to indemnification or if payment is not timely made following a determination of entitlement to indemnification pursuant to Section 6.1 (b) or if an advancement of expenses is not timely made under Section 6.2(b), the indemnitee may at any time thereafter bring suit against the Corporation in a court of competent jurisdiction in the State of Delaware seeking an adjudication of entitlement to such indemnification or advancement of expenses. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit to the fullest extent permitted by law. In any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that the indemnitee has not met any applicable standard of conduct for indemnification set forth in the DGCL. Further, in any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that the indemnitee has not met any applicable standard of conduct for indemnification set forth in the DGCL. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under applicable law, this Article VI or otherwise shall be on the Corporation.

Section 6.4 Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Article VI shall not be exclusive of any other right which any person may have or hereafter acquire under any law, agreement, vote of stockholders or disinterested directors, provisions of a certificate of incorporation or bylaws, or otherwise.

Section 6.5 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

Section 6.6 Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent and in the manner permitted by applicable law, and to the extent authorized from time to time, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation.

Section 6.7 Nature of Rights. The rights conferred upon indemnitees in this Article VI shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer or trustee and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Any amendment, alteration or repeal of this Article VI that adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit or eliminate any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment, alteration or repeal.

Section 6.8 Settlement of Claims. Notwithstanding anything in this Article VI to the contrary, the Corporation shall not be liable to indemnify any indemnitee under this Article VI for any amounts paid in settlement of any proceeding effected without the Corporation's written consent, which consent shall not be unreasonably withheld, or for any judicial award if the Corporation was not given a reasonable and timely opportunity, at its expense, to participate in the defense of such proceeding.

Section 6.9 Subrogation. In the event of payment under this Article VI, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Corporation effectively to bring suit to enforce such rights.

Section 6.10 Severability. If any provision or provisions of this Article VI shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (a) the validity, legality and enforceability of the remaining provisions of this Article VI (including, without limitation, all portions of any paragraph of this Article VI containing any such provision held to be invalid, illegal or unenforceable, that are not by themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby, and (b) to the fullest extent possible, the provisions of this Article VI (including, without limitation, all portions of any paragraph of this Article VI containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent of the parties that the Corporation provide protection to the indemnitee to the fullest enforceable extent.

## **ARTICLE VII CAPITAL STOCK**

Section 7.1 Certificates of Stock. The shares of the Corporation shall be represented by certificates; provided, however, that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Every holder of stock

represented by certificates shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairman or Vice Chairman of the Board of Directors, if any, or the President or a Vice President, and by the Chief Financial Officer, or the Secretary of the Corporation or an Assistant Secretary, of the Corporation certifying the number of shares owned by such holder in the Corporation. Any or all such signatures may be facsimiles. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 7.2 Transfers of Stock. Transfers of shares of stock of the Corporation shall be made only on the books of the Corporation upon authorization by the registered holder thereof or by such holder's attorney thereunto authorized by a power of attorney duly executed and filed with the Secretary of the Corporation or a transfer agent for such stock, and if such shares are represented by a certificate, upon surrender of the certificate or certificates for such shares properly endorsed or accompanied by a duly executed stock transfer power and the payment of any taxes thereon; provided, however, that the Corporation shall be entitled to recognize and enforce any lawful restriction on transfer.

Section 7.3 Lost Certificates. The Corporation may issue a new share certificate or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate or the owner's legal representative to give the Corporation a bond (or other adequate security) sufficient to indemnify it against any claim that may be made against it (including any expense or liability) on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares. The Board of Directors may adopt such other provisions and restrictions with reference to lost certificates, not inconsistent with applicable law, as it shall in its discretion deem appropriate.

Section 7.4 Registered Stockholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

Section 7.5 Record Date for Determining Stockholders.

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjourned meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, unless otherwise required by law, not be more than 60 nor less than 10 days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later

date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjourned meeting; provided, however, that the Board of Directors may fix a new record date for the determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than 60 days prior to such action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

(c) In order that the Corporation may determine the stockholders entitled to express consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date for determining stockholders entitled to express consent to corporate action in writing without a meeting is fixed by the Board of Directors, (i) when no prior action of the Board of Directors is required by law, the record date for such purpose shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with Section 2.10, and (ii) if prior action by the Board of Directors is required by law, the record date for such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

Section 7.6 Regulations. To the extent permitted by applicable law, the Board of Directors may make such additional rules and regulations as it may deem expedient concerning the issue, transfer and registration of shares of stock of the Corporation.

Section 7.7 Waiver of Notice. Whenever notice is required to be given under any provision of the DGCL or the Certificate of Incorporation or these Bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver

of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, the Board of Directors or a committee of the Board of Directors need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the Certificate of Incorporation or these Bylaws.

## **ARTICLE VIII GENERAL MATTERS**

Section 8.1 Fiscal Year. The fiscal year of the Corporation shall begin on the first day of November of each year and end on the last day of October of the same year, or shall extend for such other 12 consecutive months as the Board of Directors may designate.

Section 8.2 Corporate Seal. The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary of the Corporation. If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the Chief Financial Officer.

Section 8.3 Reliance Upon Books, Reports and Records. Each director and each member of any committee designated by the Board of Directors shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board of Directors so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

Section 8.4 Subject to Law and Certificate of Incorporation. All powers, duties and responsibilities provided for in these Bylaws, whether or not explicitly so qualified, are qualified by the Certificate of Incorporation and applicable law.

## **ARTICLE IX AMENDMENTS**

Section 9.1 Amendments. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to adopt, amend or repeal these Bylaws. The stockholders may make additional Bylaws and may alter and repeal any Bylaws whether adopted by them or otherwise.

The foregoing Bylaws were adopted by the Board of Directors on March 2, 2015.



**CERTIFICATE OF SECRETARY  
OF  
EVERETT SPINCO, INC.**

The undersigned does hereby certify that the undersigned is the Secretary of Everett SpinCo, Inc., a corporation duly organized and existing under and by virtue of the State of Delaware law; that the above and foregoing Bylaws of said corporation were duly and regularly adopted as such by the Board of Directors of said corporation; and that the above and foregoing Bylaws are now in full force and effect.

Date: May 23, 2016

/s/ Rishi Varma

\_\_\_\_\_  
Rishi Varma

Secretary



As previously announced, Computer Sciences Corporation (“CSC”) has entered into an Agreement and Plan of Merger with Hewlett Packard Enterprise Company (“HPE”), Everett Spincor, Inc., a wholly-owned subsidiary of HPE (“Everett”), and New Everett Merger Sub Inc., a wholly-owned subsidiary of Everett (“Merger Sub”), which provides for a series of transactions described below pursuant to which HPE will transfer its Enterprise Services business to wholly-owned subsidiaries of Everett and distribute all the shares of Everett to HPE stockholders. Following the distribution, Merger Sub will merge with and into CSC, and CSC will continue as a wholly-owned subsidiary of Everett.

- **Separation**—HPE and certain HPE subsidiaries will engage in a series of transactions in order to separate the Enterprise Services business from HPE’s other businesses pursuant to which (a) certain assets and liabilities not currently owned by Everett and its subsidiaries will be transferred pursuant to an internal restructuring to Everett and entities that will become Everett subsidiaries and (b) certain assets and liabilities currently owned by entities that will become Everett subsidiaries will be transferred to other non-Everett subsidiaries of HPE.
- **Distribution**—HPE will distribute on a pro rata basis all of the shares of Everett common stock it holds to HPE stockholders entitled to shares of Everett common stock in the Distribution as of the record date of the Distribution. HPE will deliver the shares of Everett common stock in book-entry form to the distribution agent, which will distribute such shares to HPE stockholders.
- **Merger**—Immediately after the Distribution, Merger Sub will merge with and into CSC, whereby the separate corporate existence of Merger Sub will cease, and CSC will continue as the surviving company and a wholly-owned subsidiary of Everett.

Immediately after the consummation of the Merger, approximately 50.1% of the outstanding shares of Everett common stock is expected to be held by Everett stockholders who hold shares of Everett common stock immediately prior to the Merger and approximately 49.9% of the outstanding shares of Everett common stock will be issued to former holders of CSC common stock, in each case excluding any overlaps in the pre-transaction stockholder bases. Everett will issue, and CSC stockholders entitled to shares of Everett common stock in the Merger will receive, one share of Everett common stock for every share of CSC common stock that they held prior to the Merger.

CSC is holding a special meeting of its stockholders on \_\_\_\_\_, 2017 at \_\_\_\_\_ Eastern time, to obtain the vote of its stockholders to adopt the Merger Agreement and to address certain other matters related to the Merger Agreement and the transactions contemplated thereby. **Your vote is very important regardless of the number of shares of CSC common stock you own.** The Merger cannot be completed unless the holders of at least a majority of the outstanding shares of CSC common stock entitled to vote approve the plan of merger included in the Merger Agreement at the special meeting. **The CSC Board of Directors recommends that CSC stockholders vote “FOR” the approval of the plan of merger contemplated by the Merger Agreement,**

In addition, we urge you to read carefully the accompanying proxy statement/prospectus-information statement (and the documents incorporated by reference into the accompanying proxy statement/prospectus-information statement), which includes important information about the Merger Agreement, the proposed Merger and the special meeting. Please pay particular attention to the section entitled “Risk Factors” beginning on page 35 of the accompanying proxy statement/prospectus-information statement.

Sincerely,

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under the accompanying proxy statement/prospectus-information statement or determined that the accompanying proxy statement/prospectus-information statement is accurate or complete. Any representation to the contrary is a criminal offense.

The accompanying proxy statement/prospectus-information statement is dated \_\_\_\_\_ and is first being mailed to the stockholders of CSC on or about \_\_\_\_\_.

## **ABOUT THIS DOCUMENT**

HPE has supplied all information contained in this proxy statement/prospectus-information statement relating to HPE, Everett and Merger Sub. CSC has supplied all information contained in or incorporated by reference into this proxy statement/prospectus-information statement relating to CSC. HPE and CSC have both contributed information relating to the proposed transactions.

This proxy statement/prospectus-information statement forms a part of a registration statement on Form S-4 (Registration No. 333- ) filed by Everett with the SEC to register with the SEC the issuance of shares of Everett common stock to be issued pursuant to the Merger Agreement. It constitutes a prospectus of Everett under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, with respect to the shares of Everett common stock to be issued to CSC stockholders in the Transactions. It also constitutes a proxy statement under Section 14(a) of the Exchange Act and a notice of meeting and action to be taken with respect to the CSC special meeting of stockholders at which CSC stockholders will consider and vote on the proposal to approve the Merger. In addition, it constitutes an information statement relating to the proposed Separation and Distribution.

As permitted by SEC rules, this proxy statement/prospectus-information statement does not contain all of the information you can find in Everett's registration statement or its exhibits. For further information pertaining to Everett and the shares of Everett common stock to be issued in connection with the proposed transactions, reference is made to that registration statement and its exhibits. Statements contained in this document or in any document incorporated into this document by reference as to the contents of any contract or other document referred to in this document or in other documents that are incorporated by reference into this document are not necessarily complete and, in each instance, reference is made to the copy of the applicable contract or other document filed as an exhibit to the registration statement or otherwise filed with the SEC. Each statement contained in this document is qualified in its entirety by reference to the underlying documents. You are encouraged to read the entire registration statement. You may obtain copies of the Form S-4 including documents incorporated by reference into the Form S-4 (and any amendments to those documents) by following the instructions under "Where You Can Find Additional Information."

## **TRADEMARKS AND SERVICE MARKS**

CSC, HPE and Everett own or have rights to various trademarks, logos, service marks and trade names that each uses in connection with the operation of its business. CSC, HPE and Everett each also own or have the rights to copyrights that protect the content of their respective products. Solely for convenience, the trademarks, service marks, trade names and copyrights referred to in this proxy statement/prospectus-information statement are listed without the <sup>TM</sup>, ® and © symbols, but such references do not constitute a waiver of any rights that might be associated with the respective trademarks, service marks, trade names and copyrights included or referred to in this proxy statement/prospectus-information statement.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

This proxy statement/prospectus-information statement incorporates by reference important business and financial information about CSC from documents filed with the U.S. Securities and Exchange Commission (“SEC”) that have not been included herein or delivered herewith. CSC files reports (including annual, quarterly and current reports that may contain audited financial statements), proxy statements and other information with the SEC.

Stockholders may obtain CSC’s SEC reports at [www.csc.com](http://www.csc.com) or HPE’s SEC reports at [www.hpe.com](http://www.hpe.com). CSC’s filings with the SEC are available to the public over the internet at the SEC’s website at [www.sec.gov](http://www.sec.gov), or at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call 1-800-SEC-0330 for further information on the public reference facilities.

The SEC allows certain information to be “incorporated by reference” into this proxy statement/prospectus-information statement. This means that CSC can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this proxy statement/prospectus-information statement, except for any information modified or superseded by information contained directly in this proxy statement/prospectus-information statement or in any document subsequently filed by CSC that is also incorporated or deemed to be incorporated by reference herein. This proxy statement/prospectus-information statement incorporates by reference the documents set forth below that CSC has previously filed with the SEC and any future filings by CSC under section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), from the date of this proxy statement/prospectus-information statement to the date that the CSC special meeting is held, except, in any such case, for any information therein that has been furnished rather than filed, which shall not be incorporated herein. Subsequent filings with the SEC will automatically modify and supersede information in this proxy statement/prospectus-information statement. These documents contain important information about CSC and its financial condition.

This proxy statement/prospectus-information statement, and the registration statement of which this proxy statement/prospectus-information statement forms a part, hereby incorporate by reference the following documents which CSC has filed with the SEC:

- CSC’s Annual Report on Form 10-K for the fiscal year ended April 1, 2016, filed with the SEC on June 15, 2016;
- CSC’s Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 2016, filed with the SEC on August 9, 2016;
- CSC’s Definitive Proxy Statement, filed with the SEC on June 24, 2016, and as further supplemented on July 15, 2016 and July 28, 2016;
- CSC’s Current Reports on Form 8-K, filed with the SEC on June 21, 2016, June 24, 2016, July 15, 2016, July 28, 2016, August 9, 2016, August 12, 2016, August 25, 2016 and September 29, 2016;
- CSC Annual Report on Form 11-K, filed with the SEC on July 8, 2016; and
- the description of CSC’s common stock contained in CSC’s registration statement on Form 10-12B/A filed on February 7, 1995, including any amendments or reports filed for the purpose of updating such description.

If you are a CSC stockholder and you have any questions about the proposed transactions, please contact CSC’s Investor Relations Department at (703) 245-9700.

If you are an HPE stockholder and you have any questions about the proposed transactions, please contact HPE’s Investor Relations Department at (650) 857-2246.

NONE OF CSC, MERGER SUB, HPE OR EVERETT HAS AUTHORIZED ANYONE TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION ABOUT THE PROPOSED TRANSACTIONS OR

ABOUT CSC, MERGER SUB, HPE OR EVERETT THAT DIFFERS FROM OR ADDS TO THE INFORMATION IN THIS PROXY STATEMENT/PROSPECTUS-INFORMATION STATEMENT OR THE DOCUMENTS THAT CSC PUBLICLY FILES WITH THE SEC, THEREFORE, IF ANYONE GIVES YOU DIFFERENT OR ADDITIONAL INFORMATION, YOU SHOULD NOT RELY ON IT.

IF YOU ARE IN A JURISDICTION WHERE OFFERS TO EXCHANGE OR SELL, OR SOLICITATIONS OF OFFERS TO EXCHANGE OR PURCHASE, THE SECURITIES OFFERED BY THIS PROXY STATEMENT/PROSPECTUS-INFORMATION STATEMENT ARE UNLAWFUL, OR IF YOU ARE A PERSON TO WHOM IT IS UNLAWFUL TO DIRECT THESE TYPES OF ACTIVITIES, THEN THE OFFER PRESENTED IN THIS PROXY STATEMENT/PROSPECTUS-INFORMATION STATEMENT DOES NOT EXTEND TO YOU. IF YOU ARE IN A JURISDICTION WHERE SOLICITATIONS OF A PROXY ARE UNLAWFUL, OR IF YOU ARE A PERSON TO WHOM IT IS UNLAWFUL TO DIRECT THESE TYPES OF ACTIVITIES, THEN THE SOLICITATION PRESENTED IN THIS PROXY STATEMENT/PROSPECTUS-INFORMATION STATEMENT DOES NOT EXTEND TO YOU.

THE INFORMATION CONTAINED IN THIS PROXY STATEMENT/PROSPECTUS-INFORMATION STATEMENT SPEAKS ONLY AS OF ITS DATE UNLESS THE INFORMATION SPECIFICALLY INDICATES THAT ANOTHER DATE APPLIES. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS DOCUMENT IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE HEREOF. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN ANY DOCUMENT INCORPORATED BY REFERENCE HEREIN IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE OF SUCH DOCUMENT. ANY STATEMENT CONTAINED IN A DOCUMENT INCORPORATED OR DEEMED TO BE INCORPORATED BY REFERENCE INTO THIS DOCUMENT WILL BE DEEMED TO BE MODIFIED OR SUPERSEDED TO THE EXTENT THAT A STATEMENT CONTAINED HEREIN OR IN ANY OTHER SUBSEQUENTLY FILED DOCUMENT THAT ALSO IS OR IS DEEMED TO BE INCORPORATED BY REFERENCE INTO THIS DOCUMENT MODIFIES OR SUPERSEDES SUCH STATEMENT. ANY STATEMENT SO MODIFIED OR SUPERSEDED WILL NOT BE DEEMED, EXCEPT AS SO MODIFIED OR SUPERSEDED, TO CONSTITUTE A PART OF THIS DOCUMENT. NEITHER THE MAILING OF THIS DOCUMENT TO THE RESPECTIVE STOCKHOLDERS OF CSC AND HPE, NOR THE TAKING OF ANY ACTIONS CONTEMPLATED HEREBY BY CSC OR HPE AT ANY TIME WILL CREATE ANY IMPLICATION TO THE CONTRARY.

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## HELPFUL INFORMATION

In this document:

“Above-Basis Amount” means \$3.055 billion, minus the Basis Amount, subject to adjustment as set forth in the Merger Agreement.

“Alternative Termination Fee” means \$275 million.

“Basis Amount” means \$1.5 billion (or such lesser amount that such amount may be reduced to in accordance with the terms of the Separation Agreement).

“CSC” means Computer Sciences Corporation, a Nevada corporation.

“CSC Board of Directors” means the board of directors of CSC.

“CSRA” means CSRA Inc., a Nevada corporation.

“CSRA Separation” means the spin-off by CSC of CSRA on November 27, 2015.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commitment Letters” means the bridge commitment letters dated May 24, 2016, among the Commitment Parties and CSC.

“Commitment Parties” means The Bank of Tokyo-Mitsubishi UFJ, Ltd., Royal Bank of Canada, Bank of America, N.A., Goldman Sachs Bank USA.

“Competing Proposal” means any proposal or offer from a third party relating to (i) a merger, reorganization, sale of assets, share exchange, consolidation, business combination, recapitalization, dissolution, liquidation, joint venture or similar transaction involving CSC, (ii) the acquisition (whether by merger, consolidation, equity investment, joint venture or otherwise) by any person or entity of 20% or more of the consolidated assets of CSC and its subsidiaries, as determined on a book-value or fair market value basis, (iii) the purchase or acquisition in any manner by any person or entity of 20% or more of the issued and outstanding shares of CSC common stock or any other ownership interests in CSC, (iv) any purchase, acquisition, tender offer or exchange offer that, if consummated, would result in any other person or entity beneficially owning 20% or more of the shares of CSC common stock, or any other ownership interests of CSC or any of its subsidiaries or (v) any combination of the foregoing.

“Contribution” means the contribution by HPE, directly or indirectly, of specified assets and liabilities related to the Everett business to Everett pursuant to the Reorganization.

“Debt Exchange” means the transfer of the Everett Debt by HPE on or about the closing date of the Merger to investment banks and/or commercial banks in exchange for existing HPE debt as described in the section of this document entitled “The Transactions—The Merger Agreement—Debt Exchange.”

“DGCL” means the Delaware General Corporation Law, as amended.

“Distribution” means the pro rata distribution by HPE of its shares of Everett common stock to the holders of shares of HPE common stock pursuant to the Separation Agreement.

“Distribution Date” means the date on which the Distribution occurs.



“Employee Matters Agreement” means the Employee Matters Agreement to be entered into at or prior to the Distribution Date among HPE, CSC and Everett, substantially in the form attached to the Separation Agreement.

“Everett” means Everett SpinCo, Inc., a Delaware corporation and a wholly-owned subsidiary of HPE.

“Everett Debt” means securities representing indebtedness of Everett in an aggregate principal amount equal to the Above-Basis Amount and containing terms consistent with those described in the Merger Agreement that Everett will issue to HPE and that HPE thereafter expects to exchange for existing debt obligations of HPE in the Debt Exchange.

“Everett Group” means Everett and the entities that are its subsidiaries immediately following the effective time of the Distribution.

“Everett Share Number” means 140,989,904, plus the positive number, if any, of shares of Everett common stock that would cause the shares of Everett common stock that constitute Qualified Everett Common Stock outstanding immediately following consummation of the Merger to constitute 50.1% of all Everett common stock outstanding immediately following consummation of the Merger.

“Everett Payment” means cash in an aggregate amount equal to the Basis Amount.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“FCPA” means the United States Foreign Corrupt Practices Act of 1977, as amended.

“GAAP” means generally accepted accounting principles in the United States.

“HPE” means Hewlett Packard Enterprise Company, a Delaware corporation.

“HPE Board of Directors” means the board of directors of HPE.

“HPE Group” means HPE and the entities that are its subsidiaries as of immediately following the effective time of the Distribution.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

“Intervening Event” means a material event, development or change in circumstances with respect to CSC first occurring or coming to the attention of the CSC Board of Directors after the date of the Merger Agreement and prior to obtaining the CSC stockholder approval and which was not known and could not reasonably be expected to have been known or foreseen by the CSC Board of Directors as of or prior to the date of the Merger Agreement.

“IP Matters Agreement” means the IP Matters Agreement to be entered into at or prior to the Distribution Date between HPE, Hewlett Packard Enterprise Development LP, a Texas limited partnership, and Everett, substantially in the form attached to the Separation Agreement.

“IRS” means the United States Internal Revenue Service.

“Merger” means the combination of CSC’s business and the Everett business through the merger of Merger Sub with and into CSC, whereby the separate corporate existence of Merger Sub will cease and CSC will continue as the surviving company and as a wholly-owned subsidiary of Everett, as contemplated by the Merger Agreement.

“Merger Agreement” means the Agreement and Plan of Merger, dated as of May 24, 2016, among HPE, Everett Spinco, Inc., CSC, Old Merger Sub and New Everett Merger Sub Inc., as amended as of November 2, 2016 and as may be further amended from time to time.

“Merger Sub” means New Everett Merger Sub Inc., a Nevada Corporation and a wholly-owned subsidiary of Everett.

“NYSE” means the New York Stock Exchange.

“Old Merger Sub” means Everett Merger Sub Inc., a Delaware corporation and a wholly-owned subsidiary of CSC.

“Outside Date” means August 23, 2017 (or such later date to which such date may be extended in accordance with the terms of the Merger Agreement).

“Qualified Everett Common Stock” means Everett common stock that is distributed pursuant to the Distribution, except for any Everett common stock that is distributed in the Distribution to holders of HPE common stock who acquired their HPE common stock as part of a plan (or series of related transactions) that includes the Distribution, within the meaning of Section 355(e) of the Code and the Treasury Regulations promulgated thereunder. This definition (and the application thereof) is intended to monitor compliance with Section 355(e) of the Code.

“Real Estate Matters Agreement” means the Real Estate Matters Agreement to be entered into at or prior to the Distribution Date between HPE and Everett, substantially in the form attached to the Separation Agreement.

“Reorganization” means the transfer of specified assets related to the Everett business that are not already owned by members of the Everett Group to members of the Everett Group and the assumption of specified liabilities related to the Everett business that are not already owed by members of the Everett Group by members of the Everett Group, and the transfer of specified assets that are not related to the Everett business that are not already owned by members of the HPE Group to members of the HPE Group and the assumption of specified liabilities not related to the Everett business that are not already owed by members of the HPE Group by the HPE Group, pursuant to the Separation Agreement.

“Separation” means the separation of the Everett business from the other businesses of HPE pursuant to the Separation Agreement.

“Separation Agreement” means the Separation and Distribution Agreement, dated as of May 24, 2016, between HPE and Everett, as amended as of November 2, 2016 and as may be further amended from time to time.

“Superior Proposal” means a bona fide written Competing Proposal by a third party (except the references therein to 20% being replaced by 50%) that was not solicited by CSC or its representatives in violation of the non-solicitation provisions of the Merger Agreement and that the CSC Board of Directors has determined in good faith (after consultation with its outside financial and legal advisors), taking into account the various legal, financial and regulatory aspects of the Competing Proposal, is reasonably likely to be consummated on a timely basis, and would be more favorable to CSC’s stockholders, from a financial point of view, than the Merger and the other transactions contemplated by the Merger Agreement after giving effect to all adjustments or modifications to the terms thereof which may be agreed in writing to be made by HPE.

“Tax Matters Agreement” means the Tax Matters Agreement to be entered into at or prior to the Distribution Date among HPE, Everett and CSC, substantially in the form attached to the Separation Agreement.

“Termination Fee” means \$160 million.

“Transactions” means the transactions contemplated by the Merger Agreement and the Separation Agreement, which provide for, among other things, the Reorganization, the Separation, the Distribution and the Merger, as described in the section of this document entitled “The Transactions.”

“Transaction Documents” means the Separation Agreement, the Merger Agreement, and the ancillary agreements to be entered into in connection with the Separation, each of which have been entered into or will be entered into in connection with the Transactions.

“Transition Services Agreement” means the Transition Services Agreement to be entered into at or prior to the Distribution Date between HPE and Everett, substantially in the form attached to the Separation Agreement.

## QUESTIONS AND ANSWERS ABOUT THE TRANSACTIONS

*The following are some of the questions that CSC stockholders and HPE stockholders may have regarding the Transactions and brief answers to those questions. For more detailed information about the matters discussed in these questions and answers, see “The Transactions” beginning on page 64 and “The Transaction Agreements” beginning on page 96. These questions and answers, as well as the summary beginning on page 14, are not meant to be a substitute for the information contained in the remainder of this proxy statement/prospectus-information statement, and this information is qualified in its entirety by the more detailed descriptions and explanations contained elsewhere in this proxy statement/prospectus-information statement. CSC stockholders and HPE stockholders are urged to read this proxy statement/prospectus-information statement in its entirety. Additional important information is also contained in the annexes to this proxy statement/prospectus-information statement. You should pay special attention to the “Risk Factors” beginning on page 35 and “Cautionary Statement Regarding Forward-Looking Statements” beginning on page 57.*

**Q: What are the transactions described in this proxy statement/prospectus-information statement?**

A: References to the “Transactions” means the transactions contemplated by the Merger Agreement and the Separation Agreement, which provide for, among other things:

- the separation of the Everett business from the other businesses of HPE, which this document refers to as the “Separation”;
- the distribution by HPE of 100% of the shares of Everett common stock to HPE stockholders on a pro rata basis, which this document refers to as the “Distribution”; and
- the merger of Merger Sub with and into CSC, which this document refers to as the “Merger”, with CSC continuing as the surviving company and as a wholly-owned subsidiary of Everett, as contemplated by the Merger Agreement and as described in “The Transactions” and elsewhere in this document.

**Q: What will happen in the Separation?**

A: Pursuant to and in accordance with the terms and conditions of the Separation Agreement, HPE and certain of HPE’s subsidiaries will engage in a series of transactions in which certain assets and liabilities not currently owned by Everett and its subsidiaries will be conveyed pursuant to an internal restructuring to Everett and entities that will become Everett subsidiaries, in order to separate the Everett business from HPE’s other businesses. This document refers to the conveyance of specified assets and liabilities related to the Everett business to Everett as the “Contribution.” As consideration for the Contribution, Everett will (i) issue to HPE additional shares of Everett common stock such that the number of shares of Everett common stock then outstanding will be equal to the Everett Share Number, (ii) distribute to HPE securities representing the Everett Debt and (iii) distribute to HPE the Everett Payment.

**Q: What will happen in the Distribution?**

A: Pursuant to and in accordance with the terms and conditions of the Separation Agreement, after the Separation, HPE will distribute all of the shares of Everett common stock that it holds to its stockholders as of the record date of the Distribution that are entitled to shares of Everett common stock in the Distribution on a pro rata basis by delivering such shares in book-entry form to the distribution agent. The distribution agent will distribute such shares to HPE stockholders who are entitled to the Everett common stock. The Merger Agreement provides that after the Distribution but before the Merger, the number of outstanding shares of Everett common stock will not exceed 140,989,904, assuming no true-up adjustment pursuant to the Merger Agreement.

**Q: What will happen in the Merger?**

A: Pursuant to and in accordance with the terms and conditions of the Merger Agreement, in the Merger, Merger Sub will merge with and into CSC. CSC will survive the Merger as a wholly-owned subsidiary of Everett. Immediately prior to the effective time of the Merger, Everett will be redomesticated into a Nevada corporation. Following completion of the Merger, Everett will be a separately traded Nevada public company and will own CSC as well as the Everett Business. Immediately following the Merger, approximately 50.1% of the outstanding shares of Everett common stock, par value \$0.01 per share, is expected to be held by pre-Merger Everett stockholders and approximately 49.9% of the outstanding shares of Everett common stock is expected to be issued to pre-Merger CSC stockholders, in each case excluding any overlaps in the pre-transaction stockholder bases. In the Merger, CSC stockholders will receive one share of Everett Common stock for every one share of CSC common stock held immediately prior to the Merger. See “The Transaction Agreements—The Merger Agreement—Merger Consideration.”

**Q: Will the Distribution and Merger occur on the same day?**

A: No. The Merger is expected to occur at approximately 3:01 a.m. Eastern time on the day immediately after the Distribution.

**Q: Who will serve on the Everett Board of Directors following completion of the Merger?**

A: Effective as of the closing of the Merger, the Everett Board of Directors will consist of ten members and is expected to be comprised of five of the current nine CSC directors plus five directors who have been designated by HPE. All Everett directors are expected to be identified pursuant to a joint selection process led by a four-person committee consisting of Margaret C. Whitman, HPE’s Chief Executive Officer, and Patricia F. Russo, Chairman of HPE’s Board of Directors, as well as J. Michael Lawrie, CSC’s Chairman, President and Chief Executive Officer, and Peter Rutland, another member of the CSC Board of Directors. See “The Transaction Agreements—The Merger Agreement—Post-Closing Everett Board of Directors.”

**Q: Who will manage Everett after the Merger?**

A: J. Michael Lawrie, CSC’s Chief Executive Officer, will resign from his position with CSC and will become the Chairman, President and Chief Executive Officer of Everett immediately following the Merger. Paul N. Saleh, CSC’s Executive Vice President and Chief Financial Officer, will resign from his position with CSC and will become the Executive Vice President and Chief Financial Officer of Everett immediately following the Merger. The members of management of Everett following the Merger will be determined by Mr. Lawrie. See “The Transactions—Board of Directors and Executive Officers of Everett Following the Merger; Operations Following the Merger.”

**Q: Will Everett incur indebtedness in connection with the Separation, the Distribution and the Merger?**

A: Prior to the closing of the Distribution, Everett intends to enter into a senior unsecured term loan facility (the “Term Facility”) and issue senior unsecured notes (the “Notes” and together with the Term Facility, the “Financing”) in an aggregate principal amount of approximately \$3.1 billion. The proceeds of the Term Facility will be used to pay the Everett Payment to HPE and the Notes will be issued to HPE and exchanged by HPE for outstanding senior unsecured notes of HPE.

The anticipated material terms of the Term Facility and the Notes, based on the current expectations of Everett, are described in more detail under “Debt Financing.” There can be no assurance that the Term Facility or the Notes will be finalized on similar terms, or at all. Depending on market conditions and other factors, the allocation of the Financing between the Term Facility and the Notes may be adjusted.

**Q: How will the rights of stockholders of HPE and CSC change after the Merger?**

- A: The rights of stockholders of HPE will remain the same as prior to the Merger, except that eligible stockholders of HPE will receive shares of Everett common stock in the Distribution. See “Comparison of the Rights of Stockholders Before and After the Transactions.”

Stockholders of CSC will receive shares of Everett common stock in connection with the Merger and will no longer be stockholders of CSC following the Merger. Everett’s Articles of Incorporation and Bylaws will be similar to CSC’s, however a share of Everett common stock will represent an interest in both Everett’s business as well as CSC’s business.

**Q: What are the material U.S. federal income tax consequences to CSC stockholders and HPE stockholders resulting from the Distribution and the Merger?**

- A: The completion of the Transactions is conditioned upon the receipt by HPE of the opinion of its tax counsel, Skadden, Arps, Slate, Meagher & Flom, to the effect that, for U.S. federal income tax purposes, the Contribution, taken together with the Distribution, will qualify as a tax-free transaction under Sections 368(a), 361 and 355 of the Internal Revenue Code of 1986, as amended, which this document refers to as the Code (the “Distribution Tax Opinion”). Provided that the Contribution and the Distribution so qualify, HPE and its stockholders will not recognize any taxable income, gain or loss as a result of the Distribution for U.S. federal income tax purposes (except for any gain or loss attributable to the receipt of cash in lieu of fractional shares of Everett common stock).

In addition, the completion of the Transactions is conditioned upon the receipt by HPE and CSC of opinions of counsel to the effect that, for U.S. federal income tax purposes, the Merger will qualify as a “reorganization” within the meaning of Section 368(a) of the Code (the “Merger Tax Opinions”). Provided that the Merger so qualifies, CSC and its stockholders will not recognize any taxable income, gain or loss as a result of the Merger for U.S. federal income tax purposes (except for any gain or loss attributable to the receipt of cash in lieu of fractional shares of Everett common stock).

The U.S. federal income tax consequences of the Distribution and the Merger are described in more detail under “U.S. Federal Income Tax Consequences of the Distribution and Merger” beginning on page 90.

**Q: Does CSC have to pay anything to HPE if the plan of merger contemplated by the Merger Agreement is not approved by the CSC stockholders or if the Merger Agreement is otherwise terminated?**

- A: If CSC’s stockholders do not approve the plan of merger contemplated by the Merger Agreement at the CSC special meeting of stockholders and the Merger Agreement is terminated by either HPE or CSC, CSC must reimburse HPE’s out-of-pocket fees and expenses in connection with the Transactions in an amount up to \$45 million.

In specified circumstances, depending on the reasons for termination of the Merger Agreement, CSC may have to pay HPE a termination fee of either \$160 million or \$275 million. For a discussion of the circumstances under which either termination fee is payable by CSC or the requirement to reimburse expenses applies, see “The Transaction Agreements—The Merger Agreement—Termination Fee and Expenses Payable in Certain Circumstances.”

**Q: Does HPE have to pay anything to CSC if the Merger Agreement is terminated?**

- A: No. HPE will not have to pay CSC anything if the Merger Agreement is terminated.

**Q: Are there risks associated with the Transactions?**

A: Yes. CSC and Everett may not realize the expected benefits of the Transactions because of the risks and uncertainties discussed in the section entitled “Risk Factors” beginning on page 35 and the section entitled “Cautionary Statement Regarding Forward-Looking Statements” beginning on page 57. These risks include, among others, risks relating to the uncertainty that the Transactions will close, the uncertainty that Everett will achieve expected benefits including synergies in amounts and on the schedules anticipated, and uncertainties relating to the performance of the Everett and CSC businesses after the Transactions.

**Q: Can CSC or HPE stockholders demand appraisal of their shares?**

A: No. Neither CSC nor HPE stockholders have appraisal rights under Nevada or Delaware law in connection with the Separation, Distribution or Merger.

**Q: When will the Transactions be completed?**

A: We expect to complete the Transactions on or around April 1, 2017.



## QUESTIONS AND ANSWERS FOR CSC STOCKHOLDERS

*The following are some of the questions that CSC stockholders may have regarding the special meeting of CSC stockholders, and brief answers to those questions. For more detailed information about the matters discussed in these questions and answers, see “The CSC Special Meeting” beginning on page 59. These questions and answers, as well as the following summary, are not meant to be a substitute for the information contained in the remainder of this document, and this information is qualified in its entirety by the more detailed descriptions and explanations contained elsewhere in this document. CSC urges its stockholders to read this document in its entirety prior to making any decision. You should pay special attention to the “Risk Factors” beginning on page 35 and “Cautionary Statement Regarding Forward-Looking Statements” beginning on page 57.*

**Q: What are CSC stockholders being asked to vote on at the special meeting?**

A: CSC stockholders are being asked to approve the plan of merger contemplated by the Merger Agreement. CSC stockholder approval of the plan of merger contemplated by the Merger Agreement is required under Nevada law and is a condition to the completion of the Distribution and the Merger.

CSC stockholders are also being asked to approve, by an advisory vote, Merger-related compensation of CSC’s named executive officers, which we refer to as the Merger-related compensation proposal.

CSC stockholders are also being asked to approve the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the plan of merger contemplated by the Merger Agreement, which we refer to as the meeting adjournment proposal. The approval by CSC stockholders of the Merger-related compensation proposal and the meeting adjournment proposal is not a condition to the completion of the Distribution or the Merger.

**Q: When and where is the special meeting of CSC stockholders?**

A: The special meeting of CSC stockholders will be held on \_\_\_\_\_, 2017 at \_\_\_\_\_, Eastern time.

**Q: Who can vote at the special meeting of CSC stockholders?**

A: Only stockholders who own CSC common stock of record at the close of business on \_\_\_\_\_, 2017 are entitled to vote at the special meeting. Each holder of CSC common stock is entitled to one vote per share. There were \_\_\_\_\_ shares of CSC common stock outstanding on the record date.

**Q: How does the CSC Board of Directors recommend that CSC stockholders vote?**

A: The CSC Board of Directors has determined that the Merger and the Merger Agreement are advisable and in the best interests of CSC and its stockholders. Accordingly, the CSC Board of Directors has unanimously adopted the Merger Agreement and recommends that CSC stockholders vote “FOR” the proposal to approve the plan of merger contemplated by the Merger Agreement and “FOR” the Merger-related compensation proposal and the meeting adjournment proposal.

**Q: What vote is required to approve each proposal?**

A: In accordance with the Nevada Revised Statutes, which this document refers to as the Nevada Corporation Law, the approval by CSC stockholders of the plan of merger contemplated by the Merger Agreement requires the affirmative vote of the holders of a majority of the shares of CSC common stock entitled to vote thereon.

The approval of the Merger-related compensation proposal requires the affirmative vote of a majority of the holders of a majority of the shares of CSC common stock present in person or represented by proxy at a special meeting at which a quorum is present and entitled to vote thereon. This advisory vote on the Merger-related compensation of CSC’s named executive officers is non-binding on the CSC Board of Directors.



The approval of the meeting adjournment proposal requires the affirmative vote of the holders of a majority of the shares of CSC common stock present in person or represented by proxy at the special meeting and entitled to vote thereon, regardless of whether a quorum is present.

**Q: What is a quorum?**

A: The holders of a majority of the stock issued and outstanding and entitled to vote at the special meeting, present in person or represented by proxy, will constitute a quorum. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of shares considered to be present at the special meeting. A quorum is required in order to approve the plan of merger contemplated by the Merger Agreement and the approval of the Merger-related compensation proposal.

**Q: What should CSC stockholders do now in order to vote on the proposals being considered at the CSC special meeting?**

A: CSC stockholders may submit a proxy by filling out the accompanying proxy card and returning it as instructed on the proxy card. CSC stockholders may also authorize the individuals named on the proxy card to vote their shares by telephone or the internet by following the instructions printed on the proxy card.

Submitting a proxy means that a stockholder gives someone else the right to vote his or her shares in accordance with his or her instructions. In this way, the stockholder ensures that his or her vote will be counted even if he or she is unable to attend the CSC special meeting. If a CSC stockholder executes a proxy, but does not include specific instructions on how to vote, the individuals named as proxies will vote the CSC stockholders' shares as follows:

- "FOR" the proposal to approve the plan of merger contemplated by the Merger Agreement; and
- "FOR" the Merger-related compensation proposal; and
- "FOR" the meeting adjournment proposal.

If a CSC stockholder holds shares in "street name," which means the shares are held of record by a broker, bank or nominee, please see "Q: If a CSC stockholder's shares are held in 'street name' by his or her broker, will the broker vote the shares for the stockholder?" below.

**Q: If a CSC stockholder is not going to attend the special meeting, should the stockholder return his or her proxy card or otherwise vote his or her shares?**

A: Yes. Completing, signing, dating and returning the proxy card by mail or submitting a proxy by calling the toll-free number shown on the proxy card or submitting a proxy by visiting the website shown on the proxy card ensures that the stockholder's shares will be represented and voted at the special meeting, even if the stockholder is unable to or does not attend.

**Q: If a CSC stockholder's shares are held in "street name" by his or her broker, will the broker vote the shares for the stockholder?**

A: If a CSC stockholder's shares are held in "street name," which means such shares are held of record by a broker, bank or nominee, the CSC stockholder will receive instructions from his or her broker, bank or other nominee that he or she must follow in order to have his or her shares of CSC common stock voted. If a CSC stockholder has not received such voting instructions or requires further information regarding such voting instructions, the CSC stockholder should contact his or her bank, broker or other nominee immediately. Brokers, banks or other nominees who hold shares of CSC common stock for a beneficial owner of those shares typically have the authority to vote in their discretion on "routine" proposals when they have not received instructions from beneficial owners. However, brokers, banks and other nominees are not permitted to exercise their voting discretion with respect to the approval of matters that are "non-routine," such as

approval of the plan of merger contemplated by the Merger Agreement, without specific instructions from the beneficial owner. All proposals for the CSC special meeting are non-routine and non-discretionary. Broker non-votes are shares held by a broker, bank or other nominee that are represented at the meeting but with respect to which the broker, bank or other nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal, and the broker, bank or other nominee does not have discretionary voting power on such proposal. If a CSC stockholder's broker, bank or other nominee holds the CSC stockholder's shares of CSC common stock in "street name," the CSC stockholder's bank, broker or other nominee will vote the CSC stockholder's shares only if the CSC stockholder provides instructions on how to vote by filling out the voter instruction form sent to him by his bank, broker or other nominee with this proxy statement/prospectus-information statement.

**WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, YOU ARE ENCOURAGED TO GRANT YOUR PROXY OR PROVIDE VOTING INSTRUCTIONS TO YOUR BROKER, BANK OR OTHER NOMINEE AS DESCRIBED IN THIS DOCUMENT.**

**Q: Can CSC stockholders change their vote?**

A: Yes. Holders of record of CSC common stock who have properly completed and submitted their proxy card or have submitted their proxy by telephone or internet can change their vote before the proxy is voted at the CSC special meeting in any of the following ways:

- sending a written notice that is received prior to the special meeting stating that the stockholder revokes his proxy to the corporate secretary of CSC at 1775 Tysons Boulevard, Tysons, Virginia, 22102;
- properly completing, signing and dating a new proxy card bearing a later date and properly submitting it so that it is received prior to the special meeting;
- visiting the website shown on the proxy card and submitting a new proxy in the same manner that the stockholder would submit his proxy via the internet or by calling the toll-free number shown on the proxy card to submit a new proxy by telephone; or
- attending the special meeting in person voting their shares.

Simply attending the special meeting, without voting your shares, will not revoke a proxy.

**Q: What will happen if CSC stockholders abstain from voting, fail to vote or do not instruct their broker, bank or nominee how to vote on their proxy?**

A: The failure of a CSC stockholder to vote or to instruct his or her broker to vote if his or her shares are held in "street name" may have a negative effect on the ability of CSC to obtain the number of votes necessary to approve the proposals. For purposes of the stockholder vote, an abstention, which occurs when a stockholder attends a meeting, either in person or by proxy, but abstains from voting, will have the same effect as voting against the proposal to approve the plan of merger contemplated by the Merger Agreement, voting against the Merger-related compensation proposal and voting against the meeting adjournment proposal. All properly signed proxies that are received prior to the special meeting and that are not revoked will be voted at the special meeting according to the instructions indicated on the proxies. If a proxy is returned without an indication as to how shares of CSC common stock represented are to be voted with regard to a particular proposal, the shares of CSC common stock represented by the proxy will be voted in accordance with the recommendation of the CSC Board of Directors and therefore, "FOR" the proposal to approve the plan of merger contemplated by the Merger Agreement, "FOR" the Merger-related compensation proposal and "FOR" the proposal to adjourn the special meeting, if necessary or appropriate, to permit further solicitation of proxies.

## QUESTIONS AND ANSWERS FOR HPE STOCKHOLDERS

*The following are some of the questions that HPE stockholders may have regarding the Transactions, and brief answers to those questions. For more detailed information about the matters discussed in these questions and answers, see “The Transactions” beginning on page 64. These questions and answers, as well as the following summary, are not meant to be a substitute for the information contained in the remainder of this document, and this information is qualified in its entirety by the more detailed descriptions and explanations contained elsewhere in this document. HPE stockholders are urged to read this document in its entirety. You should pay special attention to the “Risk Factors” beginning on page 35 and “Cautionary Statement Regarding Forward-Looking Statements” beginning on page 57.*

**Q: What will HPE stockholders be entitled to receive pursuant to the Distribution and the Merger?**

A: As a result of the Distribution HPE stockholders will receive in the aggregate a number of shares of Everett common stock equal to the Everett Share Number. It is currently estimated that HPE stockholders will receive upon the Distribution approximately \_\_\_\_\_ of a share of Everett common stock for every one share of HPE common stock that they hold (representing in the aggregate approximately 50.1% of the shares of Everett common stock outstanding immediately following the Merger).

**Q: Has HPE set a record date for the Distribution?**

A: No. HPE will publicly announce the record date for the Distribution once the record date has been determined. This announcement will be made prior to the completion of the Distribution and the Merger.

**Q: What will happen to the shares of HPE common stock owned by HPE stockholders?**

A: Holders of HPE common stock will retain all of their shares of HPE common stock.

**Q: How will shares of Everett common stock be distributed to HPE stockholders?**

A: Holders of HPE common stock on the record date for the Distribution will receive, in the Distribution, shares of Everett common stock in book-entry form. HPE stockholders of record will receive additional information from HPE’s distribution agent shortly after the closing of the Merger. Beneficial holders will receive information from their brokerage firms or other nominees.

**Q: Will HPE stockholders who sell their shares of HPE common stock shortly before the completion of the Distribution and the Merger still be entitled to receive shares of Everett common stock with respect to the shares of HPE common stock that were sold?**

A: It is currently expected that prior to the Distribution, and continuing through the business day immediately preceding the closing date of the Merger (or continuing through the closing date if the Merger closes after the close of trading in HPE common stock and CSC common stock on the NYSE on the closing date), there will be two markets in HPE common stock on the NYSE: a “regular way” market and an “ex-distribution” market.

If an HPE stockholder sells shares of HPE common stock in the “regular way” market under the ticker symbol “HPE” during this time period, that HPE stockholder will be selling both his shares of HPE common stock and the right (represented by a “due-bill”) to receive shares of Everett common stock. HPE stockholders should consult their brokers before selling their shares of HPE common stock in the “regular way” market during this time period to be sure they understand the effect of the NYSE “due-bill” procedures. The “due-bill” process is not managed, operated or controlled by HPE or CSC.

If an HPE stockholder sells shares of HPE common stock in the “ex-distribution” market during this time period, that HPE stockholder will be selling only his shares of HPE common stock but will retain the right

to receive shares of Everett common stock. It is currently expected that “ex-distribution” trades of HPE common stock will settle within three business days after the closing date of the Merger and that if the Merger is not completed, all trades in this “ex-distribution” market will be cancelled.

After the closing date of the Merger, shares of HPE common stock will no longer trade in this “ex-distribution” market, and shares of HPE common stock that are sold in the “regular way” market will no longer reflect the right to receive shares of Everett common stock.

**Q: Are HPE stockholders required to do anything?**

A: HPE stockholders are not required to take any action to approve the Separation, the Distribution or the Merger and the HPE Board of Directors has already approved the Separation, the Distribution and the Merger. However, HPE stockholders should carefully read this proxy statement/prospectus-information statement, which contains important information about the Separation, the Distribution, the Merger, Everett and CSC.

HPE STOCKHOLDERS WILL NOT BE REQUIRED TO SURRENDER THEIR SHARES OF HPE COMMON STOCK IN THE SEPARATION, THE DISTRIBUTION OR THE MERGER, AND THEY SHOULD NOT RETURN THEIR HPE STOCK CERTIFICATES. THE SEPARATION, THE DISTRIBUTION AND THE MERGER WILL NOT RESULT IN ANY CHANGE FOLLOWING THE MERGER IN HPE STOCKHOLDERS' OWNERSHIP OF HPE COMMON STOCK THAT SUCH STOCKHOLDERS HELD IMMEDIATELY PRIOR TO THE MERGER.

## SUMMARY

This summary, together with the sections titled “Questions and Answers About the Transactions,” “Questions and Answers for CSC Stockholders” and “Questions and Answers for HPE Stockholders” immediately preceding this summary, provide a summary of the material terms of the Separation, the Distribution and the Merger. These sections highlight selected information contained in this proxy statement/prospectus-information statement and may not include all the information that is important to you. To better understand the proposed Separation, the Distribution and the Merger, and the risks related to the Transactions, and for a more complete description of the legal terms of the Separation, the Distribution and the Merger, you should read this entire proxy statement/prospectus-information statement carefully, including the annexes, as well as those additional documents to which we refer you. See also “Where You Can Find Additional Information.”

**The Companies** (see “Information about CSC,” “Information about HPE” and “Information about Everett and Merger Sub” beginning on pages 128, 134 and 135, respectively.)

Computer Sciences Corporation  
1775 Tysons Boulevard  
Tysons, Virginia, 22102  
(703) 245-9675

CSC, a Nevada corporation, was founded in 1959. CSC is a next-generation global provider of information technology (“IT”) services and solutions. CSC helps lead its clients through their digital transformations to meet new business demands and customer expectations in a market of escalating complexity, interconnectivity, mobility, and opportunity. CSC’s mission is to enable superior returns on its clients’ technology investments through best-in-class vertical industry solutions, domain expertise, strategic partnerships with key technology leaders and global scale. CSC generally does not operate through exclusive agreements with hardware or software providers and believes this independence enables CSC to better identify and manage solutions specifically tailored to each client’s needs.

Hewlett Packard Enterprise Company  
3000 Hanover Street  
Palo Alto, California 94304  
(650) 687-5817

HPE, a Delaware corporation, was formed in 2015. HPE is a leading global provider of the cutting-edge technology solutions customers need to optimize their traditional IT while helping them build the secure, cloud-enabled, mobile-ready future that is uniquely suited to their needs. HPE conducts its business through its Enterprise Group, Software, Enterprise Services, Financial Services and Corporate Investments segments. The Enterprise Group provides a broad portfolio of enterprise technology solutions to address customer needs in building the foundation for the next generation of applications, web services and user experiences. The Software portfolio provides big data analytics and applications, enterprise security, application testing and delivery management and IT operations management solutions for businesses and other enterprises of all sizes. Enterprise Services (which is the business proposed to be subject to the Separation and the Distribution) provides technology consulting, outsourcing and support services across infrastructure, applications and business process domains in traditional and Strategic Enterprise Service offerings which includes analytics and data management, security and cloud services. Financial Services provides flexible investment solutions for HPE’s customers-such as leasing, financing, IT consumption and utility programs-and asset management services that facilitate unique technology deployment models and the acquisition of complete IT solutions, including hardware, software and services from HPE and others. Corporate Investments includes Hewlett Packard Labs and certain business incubation projects among others.

Everett SpinCo, Inc.  
c/o Hewlett Packard Enterprise Company  
3000 Hanover Street  
Palo Alto, California 94304  
(650) 687-5817

Everett SpinCo, Inc. (“Everett”) is a recently formed corporation, organized in the State of Delaware on May 19, 2016, which is currently a direct, wholly-owned subsidiary of HPE and will hold, via its subsidiaries, the Everett business at the time of the Distribution. In connection with the Separation, HPE will cause certain assets and liabilities to be conveyed pursuant to an internal restructuring to Everett and entities that will become subsidiaries of Everett, in order to separate the Everett business from HPE’s other businesses, and will then distribute all of the shares of Everett common stock pro rata to HPE stockholders entitled to shares of Everett common stock in the Distribution. CSC, HPE and Everett will effect the Transactions through a Reverse Morris Trust transaction structure. The first step of the Reverse Morris Trust transaction will be the distribution of all the shares of Everett to HPE stockholders, and the second step will be the acquisition of CSC by Everett in a stock-for-stock merger transaction. HPE and its stockholders are not expected to recognize any taxable income, gain or loss as a result of the Distribution for U.S. federal income tax purposes, and CSC and its stockholders are not expected to recognize any taxable income, gain or loss as a result of the Merger for such purposes (except for any gain or loss attributable to the receipt of cash in lieu of fractional shares of Everett common stock). For more information regarding the U.S. federal income tax consequences of the Distribution and Merger, see “U.S. Federal Income Tax Consequences of the Distribution and Merger” beginning on page 90.

The Everett business currently operates within HPE and through certain subsidiaries of HPE. Everett is a leading provider of technology consulting, outsourcing and support services for infrastructure, applications and business process domains, including Strategic Enterprise Service offerings of cloud, security, analytics and data management.

In connection with the Separation and the Distribution, CSC, Everett and HPE have entered or will enter into a number of agreements that will govern the relationship between CSC, Everett and HPE following the Distribution. HPE will not retain any ownership interest in Everett following the Distribution. Later in this proxy statement/prospectus-information statement, the Everett business that will be separated from HPE will be described in detail. Following the Merger, CSC will become a wholly-owned subsidiary of Everett.

New Everett Merger Sub Inc.  
c/o Hewlett Packard Enterprise Company  
3000 Hanover Street  
Palo Alto, California 94304  
(650) 687-5817

New Everett Merger Sub Inc. (“Merger Sub”) is a direct, wholly-owned subsidiary of Everett. Merger Sub was organized in the State of Nevada on October 27, 2016 for the purposes of merging with and into CSC in the Merger. Merger Sub has not carried on any activities other than in connection with the Merger Agreement. For more information on Merger Sub, see “Information About Everett and Merger Sub.”

**The Transactions** (See “The Transactions” beginning on page 64)

CSC, HPE, Everett and Merger Sub are parties to a Merger Agreement pursuant to which, subject to certain conditions, HPE agreed to effect the Separation and the Distribution, and Merger Sub and CSC agreed to merge. As a result of and immediately following the transactions contemplated by the Merger Agreement, CSC will become a wholly-owned subsidiary of Everett, HPE stockholders as of the record date of the Distribution entitled



to shares of Everett common stock in the Distribution will own approximately 50.1% of Everett common stock after the Merger and current CSC stockholders will receive approximately 49.9% of Everett common stock after the Merger, in each case excluding any overlaps in the pre-transaction stockholder bases. HPE stockholders will retain the shares of HPE common stock that they held prior to the Merger.

In connection with the Transactions, HPE and Everett entered into the Separation Agreement to effect the Separation and Distribution and will enter into several other agreements to provide a framework for their relationship after the Distribution. These agreements provide for the allocation between HPE, on the one hand, and Everett, on the other hand, of certain assets, liabilities and obligations related to the Everett business and will govern the relationship between HPE and Everett after the Distribution (including with respect to employee matters, intellectual property rights, data access and tax matters). In connection with the transactions contemplated by the Separation Agreement, Everett and HPE will also enter into (1) a Transition Services Agreement, which will provide for, among other things, the provision of certain transition services between HPE and Everett, (2) a Tax Matters Agreement, which will provide for, among other things, the allocation between HPE, on the one hand, and Everett and CSC, on the other hand, of certain tax assets and obligations, (3) an IP Matters Agreement in respect of certain intellectual property (including patents, trademarks and domain names) and certain technology (including software and related copyrights) used in the current conduct of the Everett business, (4) a Real Estate Matters Agreement pursuant to which HPE will transfer to or share with Everett certain leased and owned property, and Everett will transfer to or share with HPE certain leased and owned property, (5) an information technology service agreement pursuant to which Everett and its affiliates will provide certain IT outsourcing services to HPE and (6) certain preferred vendor agreements pursuant to which HPE and its affiliates will provide certain hardware and software products and technology services to Everett.

CSC, HPE and Everett also agreed to enter into an Employee Matters Agreement with respect to the transfer of employees engaged in the Everett business and related matters, including terms of employment, benefit plan transition and coverage and other compensation and labor matters.

For a more complete discussion of the agreements related to the Transactions, see “The Transaction Agreements” and “Additional Agreements Related to the Separation, the Distribution and the Merger.”

**Overview** (See “The Transactions—Transaction Sequence” beginning on page 64)

Below is a description of the sequence of material events relating to the Separation, the Distribution and the Merger:

- Step 1: HPE and certain HPE subsidiaries will engage in a series of transactions in order to separate the Everett business from HPE’s other businesses pursuant to which (a) certain assets and liabilities not currently owned by Everett and its subsidiaries will be transferred pursuant to an internal restructuring to Everett and entities that will become Everett subsidiaries and (b) certain assets and liabilities currently owned by entities that will become Everett subsidiaries will be transferred to other non-Everett subsidiaries of HPE. The conveyance of specified assets and liabilities related to the Everett business to Everett is referred to as the Contribution.
- Step 2: Everett will incur new indebtedness in an aggregate principal amount of approximately \$3.1 billion. In addition, immediately prior to the Distribution, Everett expects to issue to HPE the Everett Debt. HPE expects to transfer the Everett Debt on or about the date of the Distribution to investment banks and/or commercial banks in exchange for existing HPE debt. The Everett Debt is expected to be subsequently sold to third-party investors as described below under “The Transaction Agreements—The Merger Agreement—Debt Exchange.” As a result, HPE expects to receive approximately \$3.1 billion from the Everett Payment and the Debt Exchange.

Immediately prior to the Distribution, Everett will also issue to HPE additional shares of Everett common stock. Following this issuance, HPE will own shares of Everett common stock in an amount equal to the Everett Share Number, which will constitute all of the outstanding stock of Everett.

Step 3: HPE will effect the Distribution by distributing on a pro rata basis all of the shares of Everett common stock it holds to HPE stockholders entitled to shares of Everett common stock in the Distribution as of the record date of the Distribution. HPE will deliver the shares of Everett common stock in book-entry form to the distribution agent, who will distribute such shares to HPE stockholders.

The Merger Agreement provides that after the Distribution but before the Merger, the number of outstanding shares of Everett common stock will not exceed 140,989,904, assuming no true-up adjustment pursuant to the Merger Agreement.

The number of outstanding shares of Everett common stock issued in the Distribution is subject to a true-up mechanism that will only apply if the percentage of outstanding shares of Everett common stock after the Merger that constitute Qualified Everett Common Stock would be less than 50.1% of all outstanding Everett common stock after the Merger, in which case the number of outstanding shares of Everett common stock issued in the Distribution would be increased such that HPE stockholders would receive Qualified Everett Common Stock that would represent 50.1% of the outstanding shares of Everett common stock after the Merger.

Step 4: Prior to the closing of the Distribution, Everett intends to enter into the Term Facility and issue the Notes in an aggregate principal amount of approximately \$3.1 billion. The proceeds of the Term Facility will be used to pay the Everett Payment to HPE and the Notes will be issued to HPE and exchanged by HPE for outstanding senior unsecured notes of HPE.

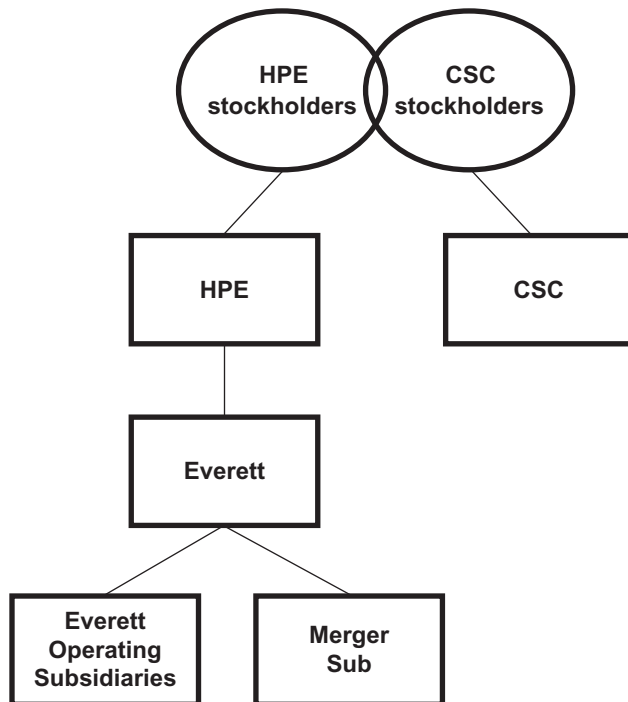
The anticipated material terms of the Term Facility and the Notes, based on the current expectations of Everett, are described in more detail under “Debt Financing.” There can be no assurance that the Term Facility or the Notes will be finalized on similar terms, or at all. Depending on market conditions and other factors, the allocation of the Financing between the Term Facility and the Notes may be adjusted.

Step 5: Following the Distribution, Merger Sub will merge with and into CSC, whereby the separate corporate existence of Merger Sub will cease and CSC will continue as the surviving corporation and a wholly-owned subsidiary of Everett. Immediately prior to the effective time of the Merger, Everett will be redomesticated into a Nevada corporation. In the Merger, each share of CSC common stock will be converted into the right to receive one share of Everett common stock.” Immediately after the consummation of the Merger, approximately 50.1% of the outstanding shares of Everett common stock is expected to be held by pre-Merger Everett stockholders and approximately 49.9% of the outstanding shares of Everett common stock is expected to be held by pre-Merger CSC stockholders, in each case excluding any overlaps in the pre-transaction stockholder bases.

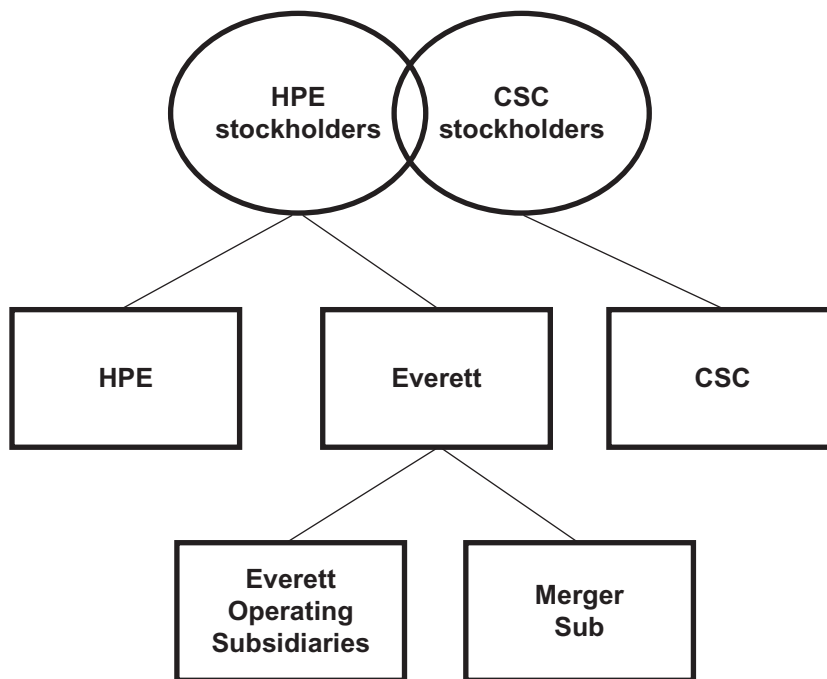


Set forth below are diagrams that graphically illustrate, in simplified form, the existing corporate structure, the corporate structure immediately following the Separation and the Distribution but before the Merger, and the corporate structure immediately following the consummation of the Merger.

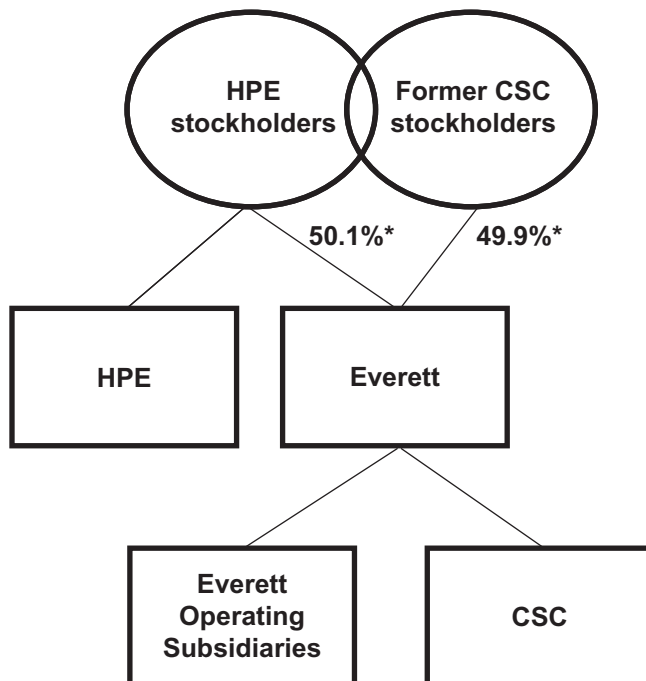
**Pre-Distribution Structure**



**Structure Following the Distribution but Before the Merger**



**Structure Following the Merger**



\* Excludes overlap

**The Separation and the Distribution** (See “The Transactions” beginning on page 64)

Pursuant to and in accordance with the terms and conditions of the Separation Agreement, HPE and certain subsidiaries of HPE will engage in a series of transactions in which certain assets and liabilities not currently owned by Everett and its subsidiaries will be conveyed pursuant to an internal restructuring to Everett and entities that will become Everett subsidiaries, in order to separate the Everett business from HPE’s other businesses. Everett is currently a wholly-owned subsidiary of HPE that was formed on May 19, 2016, in connection with the planned spin-off of the Everett business from HPE.

The conveyance of specified assets and liabilities related to the Everett business to Everett is referred to as the Contribution. In consideration for the Contribution, Everett will (i) issue to HPE additional shares of Everett common stock such that the number of shares of Everett common stock then outstanding will be equal to the Everett Share Number, (ii) distribute to HPE securities representing the Everett Debt and (iii) distribute to HPE the Everett Payment.

After the Separation, HPE will distribute all of the shares of Everett common stock it holds to HPE stockholders entitled to shares of Everett common stock in the Distribution as of the record date of the Distribution on a pro rata basis. As of the date of this proxy statement/prospectus-information statement, HPE’s Board of Directors has not set a record date for the Distribution. HPE will publicly announce the record date for the Distribution when the record date has been determined. This announcement will be made prior to the completion of the Separation, the Distribution and the Merger.

HPE will effect the Distribution by delivering the shares of Everett common stock in book-entry form to the distribution agent. The distribution agent will distribute such shares to HPE stockholders that are entitled to the Everett common stock in the Distribution and pending the effective time of the Merger. After the Distribution, HPE will not own any shares of Everett common stock. The Merger Agreement provides that after the Distribution but before the Merger, the number of outstanding shares of Everett common stock will not exceed the Everett Share Number.

Conditions to the Separation and the Distribution (See “The Transaction Agreements—The Separation and Distribution Agreement—Conditions to the Distribution” beginning on page 117)

HPE’s obligation to effect the Distribution is subject to the satisfaction, or waiver, of the following conditions:

- completion of the Separation;
- completion of certain securities law matters, including the filing and effectiveness of a registration statement with respect to the Everett common stock to be distributed;
- listing of the Everett common stock to be distributed on a nationally recognized securities exchange;
- completion of certain issuances to HPE of Everett common stock and distributions to HPE of cash and securities representing the Everett Debt;
- entry by HPE into a distribution agent agreement with the distribution agent;
- delivery of an opinion, in form and substance acceptable to HPE in its sole discretion, from an independent appraisal firm confirming the solvency and financial viability of HPE after giving effect to the Everett Debt, Everett Payment and the consummation of the Distribution; and
- satisfaction or waiver by the party entitled to the benefit thereof of the conditions to the obligations of the parties to the Merger Agreement to consummate the Merger and complete the other transactions contemplated by the Merger Agreement (other than those conditions that by their nature are to be satisfied contemporaneously with or immediately following the Distribution).

**The Merger; Merger Consideration** (See “The Transactions” beginning on page 64)

Pursuant to and in accordance with the terms and conditions of the Merger Agreement, immediately after the Distribution, Merger Sub will merge with and into CSC. CSC will survive the Merger as a wholly-owned subsidiary of Everett. Immediately prior to the effective time of the Merger, Everett will be redomesticated into a Nevada corporation. After the Merger, Everett will be a separately traded Nevada public company and will own both the CSC and Everett businesses.

At the effective time of the Merger, each issued and outstanding share of CSC common stock (except for such shares held as treasury stock or by Everett, which will be cancelled) will be automatically converted into one share of Everett common stock. As a result of the Merger, Everett’s transfer agent will distribute to CSC stockholders shares of Everett common stock that the shares of CSC common stock automatically converted into at the effective time of the Merger and cash in lieu of fractional shares (if any). Holders of HPE common stock entitled to shares of Everett common stock in the Distribution will also retain all of the shares of HPE common stock they held prior to the Merger.

The Merger Agreement provides that after the Distribution but before the Merger, the number of outstanding shares of Everett common stock will not exceed 140,989,904, assuming no true-up adjustment pursuant to the Merger Agreement. The number of outstanding shares of Everett common stock issued in the Distribution is subject to a true-up mechanism that will only apply if the percentage of outstanding shares of Everett common stock that constitute Qualified Everett Common Stock would be less than 50.1% of all outstanding Everett common stock after the Merger, in which case the number of outstanding shares of Everett common stock issued in the Distribution would be increased such that HPE stockholders would receive Qualified Everett Common Stock that would represent 50.1% of the outstanding shares of Everett common stock after the Merger. See “The Transactions—Calculation of Merger Consideration.”

**Conditions to the Merger** (See “The Transaction Agreements—The Merger Agreement—Conditions to the Merger” beginning on page 110)

As more fully described in this proxy statement/prospectus-information statement and in the Merger Agreement, each of CSC’s, Merger Sub’s, HPE’s and Everett’s obligations to effect the Merger is subject to the satisfaction, or to the extent permitted by law or by waiver by CSC and HPE of the following conditions, which are referred to as the “Joint Conditions” to the Merger:

- the expiration or termination of any applicable waiting period under the HSR Act, and the receipt of applicable consents, authorizations, orders, or approvals required under other competition laws in certain specified jurisdictions;
- the consummation of the Reorganization and the Distribution in accordance with the Separation Agreement;
- the effectiveness of the registration statements of Everett and the absence of any stop order issued by the SEC or any pending proceeding before the SEC seeking a stop order with respect thereto;
- the approval for listing on a nationally recognized securities exchange of the shares of Everett common stock to be issued in the Merger;
- the approval by CSC stockholders of the plan of merger contemplated by the Merger Agreement; and
- the absence of any law or action by a governmental authority that enjoins, restrains or prohibits the consummation of the Reorganization, the Distribution or the Merger.

HPE's, Everett's and Merger Sub's obligation to effect the Merger is subject to the satisfaction or, to the extent permitted by applicable law, waiver by HPE of the following additional conditions:

- the performance or compliance in all material respects by CSC of all covenants required to be complied with or performed by it on or prior to the effective time of the Merger under the Merger Agreement;
- the truth and correctness in all material respects of CSC's representations and warranties with respect to organization, authorization and brokers fees as of the date of the Merger Agreement and as of the date of the Merger (except for certain representations and warranties that by their terms address matters only as of a specified date, which are to be true and correct only as of such specified date);
- the truth and correctness in all respects of CSC's representations and warranties with respect to the capital stock of CSC, affiliate matters and receipt of board approval as of the date of the Merger Agreement and as of the date of the Merger (except that the truth and correctness representation and warranty with respect to the capitalization of CSC may have de minimis deviations from the "in all respects" standard);
- the truth and correctness in all respects of all other representations and warranties made by CSC in the Merger Agreement (without giving effect to any materiality, material adverse effect or similar qualifiers) as of the date of the Merger Agreement and as of the date of the Merger (except for certain representations and warranties that by their terms address matters only as of a specified date, which are to be true and correct only as of such specified date), except as would not have a material adverse effect;
- the receipt by HPE of a certificate, dated as of the closing date of the Merger, signed by a senior officer of CSC certifying the satisfaction of the conditions described in the preceding four bullet points;
- the entry by CSC into all applicable other Transaction Documents, and performance in all material respects of all covenants thereunder to be performed or complied with prior to the effective time of the Merger;
- the receipt by HPE of a tax opinion from HPE's counsel; and
- the consummation of the Debt Exchange and the receipt by HPE of the Everett Payment immediately before the Distribution.

CSC's obligation to effect the Merger is subject to the satisfaction or, to the extent permitted by applicable law, waiver by CSC of the following additional conditions:

- the performance or compliance in all material respects by HPE and Everett of all covenants required to be complied with or performed by them on or prior to the effective time of the Merger under the Merger Agreement;
- the truth and correctness in all material respects of HPE's and Everett's representations and warranties with respect to organization, authorization and brokers' fees as of the date of the Merger Agreement and as of the date of the Merger (except for certain representations and warranties that by their terms address matters only as of a specified date, which are to be true and correct only as of such specified date);
- the truth and correctness in all respects of HPE's representations and warranties relating to Everett with respect to capital stock, the absence of a "material adverse effect" with respect to Everett and receipt of board and stockholder approval as of the date of the Merger Agreement and as of the date of the Merger (except for certain representations and warranties that by their terms address matters only as of a specified date, which are to be true and correct only as of such specified date);
- the truth and correctness in all respects of all other representations and warranties made by HPE in the Merger Agreement (without giving effect to any materiality, material adverse effect or similar

qualifiers) as of the date of the Merger Agreement and as of the date of the Merger (except for certain representations and warranties that by their terms address matters only as of a specified date, which are to be true and correct only as of such specified date), except as would not have a material adverse effect;

- the receipt by CSC of a certificate, dated as of the closing date of the Merger, signed by a senior officer of HPE certifying the satisfaction of the conditions described in the preceding four bullet points;
- the entry by HPE, Everett and Merger Sub into all other applicable Transaction Documents, and performance in all material respects of all covenants thereunder to be performed or complied with prior to the effective time of the Merger; and
- the determination by CSC that the Merger and related transactions will not constitute an acquisition of a “50-percent or greater interest” (within the meaning of Section 355(d)(4) of the Code) in CSC, as determined under the principles of Section 355(e) of the Code and the Treasury Regulations promulgated thereunder and the receipt by CSC of a tax opinion from its tax counsel.

**Voting by CSC Directors and Executive Officers** (see “The CSC Special Meeting—Voting by CSC Directors and Executive Officers” beginning on page 62)

At the close of business on the record date for CSC’s special meeting, CSC directors and executive officers and their affiliates were entitled to vote approximately % of the shares of CSC common stock outstanding on the record date. CSC currently expects that all CSC directors and executive officers will vote their shares in favor of the proposal to approve the plan of merger contemplated by the Merger Agreement, the Merger-related compensation proposal and the meeting adjournment proposal.

No vote of HPE stockholders is required in connection with the Transactions. No directors, executive officers or affiliates of Everett or HPE will have voting rights in connection with the Transactions with respect to their ownership of any HPE common stock or Everett common stock.

**Opinion of CSC’s Financial Advisor** (see “The Transactions—Opinion of CSC’s Financial Advisor” beginning on page 71)

CSC’s financial advisor, RBC Capital Markets, LLC (“RBC Capital Markets”), delivered a written opinion, dated May 23, 2016, to the CSC Board of Directors as to the fairness, from a financial point of view and as of such date, to CSC of the Original Merger Consideration (as defined below) that would have been paid by CSC pursuant to the Agreement and Plan of Merger among HPE, Everett, CSC and a wholly-owned subsidiary of CSC as executed on May 24, 2016 (the “Original Merger Agreement”). For purposes of RBC Capital Markets’ analyses and opinion, the term “Original Merger Consideration” refers to the 139,234,701 shares of CSC common stock, in the aggregate, that would have been issuable by CSC in the combination of the Everett business with CSC through the merger of a wholly-owned subsidiary of CSC with and into Everett, whereby the separate corporate existence of such wholly-owned subsidiary would have ceased and Everett would have continued as the surviving company and as a wholly-owned subsidiary of CSC (the “Original Merger”), as contemplated by the Original Merger Agreement.

CSC has advised RBC Capital Markets that the terms of the Merger do not alter or otherwise impact the financial terms of the Original Merger, including, without limitation, the pro forma equity ownership in the combined company of the respective holders of CSC common stock and Everett common stock. Based solely on the foregoing, in connection with the execution of the amendment to the Merger Agreement on November 2, 2016, RBC Capital Markets confirmed to CSC that, were it asked to do so on May 23, 2016, it would have been prepared to render an opinion to the CSC Board of Directors to the effect that, as of May 23, 2016 and based on and subject to the procedures followed, assumptions made, factors considered and qualifications and limitations

on the review undertaken by RBC Capital Markets in connection with its May 23, 2016 opinion, the merger consideration to be received by holders of CSC common stock pursuant to the Merger would have been fair, from a financial point of view, to such holders. RBC Capital Markets was not requested to, and it did not, update or revise its analyses for market movements, the financial performance or prospects of CSC or Everett or any other circumstances or events occurring after the date of its May 23, 2016 opinion.

The full text of RBC Capital Markets' written opinion, dated May 23, 2016, is attached as Annex A to this proxy statement/prospectus-information statement and sets forth, among other things, the procedures followed, assumptions made, factors considered and qualifications and limitations on the review undertaken by RBC Capital Markets in connection with its opinion. **RBC Capital Markets delivered its opinion to the CSC Board of Directors for the benefit, information and assistance of the CSC Board of Directors (in its capacity as such) in connection with and for purposes of its evaluation of the Original Merger. RBC Capital Markets' opinion addressed only the fairness, from a financial point of view and as of the date of such opinion, to CSC of the Original Merger Consideration (to the extent expressly specified in such opinion) and did not address any other aspect of the Original Merger or any related transactions (including, without limitation, any amendments to the terms and conditions of the Original Merger following the delivery of RBC Capital Market's opinion). RBC Capital Markets' opinion also did not address the underlying business decision of CSC to engage in the Original Merger or any related transactions or the relative merits of the Original Merger or any related transactions compared to any alternative business strategy or transaction that might be available to CSC or in which CSC might engage. RBC Capital Markets does not express any opinion and does not make any recommendation to any stockholder as to how such stockholder should vote or act with respect to any proposal to be voted upon in connection with the Merger, any related transactions or otherwise.**

**Board of Directors and Management of Everett After the Merger** (see "Information about CSC—Directors and Executive Officers of Everett After the Merger" beginning on page 133)

Prior to the effective time of the Merger, the Everett Board of Directors shall take all action necessary such that, at the effective time of the Merger, the Everett Board of Directors will consist of ten members, including five current CSC board members (one of whom shall be CSC's current Chairman, President and Chief Executive Officer) and five individuals designated by HPE (one of whom is expected to be HPE's Chief Executive Officer). All Everett directors are expected to be identified pursuant to a joint selection process led by a four person committee consisting of Margaret C. Whitman, HPE's Chief Executive Officer, and Patricia F. Russo, Chairman of HPE's Board of Directors, as well as J. Michael Lawrie, CSC's Chairman, President and Chief Executive Officer, and Peter Rutland, another member of the CSC Board of Directors. See "The Transaction Agreements—The Merger Agreement—Post-Closing Everett Board of Directors." The five directors designated by HPE, or replacement individuals designated by HPE, will be nominated and recommended for election to the Everett Board of Directors by the Everett Board of Directors at the next annual meeting of Everett stockholders following the effective time of the Merger.

J. Michael Lawrie, CSC's Chief Executive Officer, will resign from his position with CSC and will become the Chairman, President and Chief Executive Officer of Everett immediately following the Merger. Paul N. Saleh, CSC's Executive Vice President and Chief Financial Officer, will resign from his position with CSC and will become the Executive Vice President and Chief Financial Officer of Everett immediately following the Merger. The members of management of Everett following the Merger will be determined by Mr. Lawrie.

### **Interests of Certain Persons in the Merger**

Certain of CSC's directors and executive officers have financial interests in the Transactions that may be different from, or in addition to, the interests of CSC's stockholders generally, including transaction bonuses.



The members of the CSC Board of Directors were aware of and considered these interests, among other matters, in reaching the determination to approve the terms of the Transactions, including the Merger, and in recommending to CSC's stockholders that they vote to approve the plan of merger contemplated by the Merger Agreement.

**Risk Factors** (see "Risk Factors" beginning on page 35)

CSC stockholders and HPE stockholders should carefully consider the matters described in the section "Risk Factors," as well as other information included in this proxy statement/prospectus-information statement and the other documents to which they have been referred.

**Regulatory Approvals** (see "The Transactions—Regulatory Approvals" beginning on page 88)

Under the HSR Act and related rules, the Merger may not be completed until the parties have filed notification and report forms with the U.S. Federal Trade Commission and the Antitrust Division of the Department of Justice, which are referred to as the "Antitrust Division", and observed a specified statutory waiting period. CSC and HPE filed Notification and Report forms with the Federal Trade Commission and the Antitrust Division on June 21, 2016 and the waiting period under the HSR Act expired on August 22, 2016. In connection with the execution of the Amended Merger Agreement, the parties expect to file Notification and Report forms with the Federal Trade Commission and the Antitrust Division by November 30, 2016. In addition, the parties are also required to obtain antitrust clearance from the Brazilian Administrative Council of Economic Defense, the Canadian Competition Bureau, the European Commission, the Competition Commission of India, the Mexican Federal Economic Competition Commission, the Swiss Competition Commission, and the Turkish Competition Authority, or observe the applicable statutory waiting period in each of those jurisdictions. In addition, the parties intend to submit a foreign investment application to the Australian Foreign Investment Review Board.

**Termination** (see "The Transaction Agreements—The Merger Agreement—Termination" beginning on page 111)

The Merger Agreement may be terminated at any time prior to the completion of the Merger by the mutual written consent of HPE and CSC. In addition, subject to specified qualifications and exceptions, either HPE or CSC may terminate the Merger Agreement at any time prior to the completion of the Merger if:

- any governmental authority has promulgated, entered, enforced, enacted or issued or deemed applicable to the Merger or the other transactions contemplated by the Merger Agreement any law that permanently prohibits, restrains or makes illegal the Merger or the other transactions contemplated by the Merger;
- the Merger has not been consummated on or prior to by August 23, 2017 (or such later date to which such date may be extended in accordance with the terms of the Merger Agreement); or
- CSC's stockholders fail to approve the plan of merger contemplated by the Merger Agreement at the meeting of CSC's stockholders held for such purpose (including any adjournment or postponement thereof).

In addition, subject to specified qualifications and exceptions, HPE may terminate the Merger Agreement if:

- CSC has breached any representation, warranty, covenant or agreement in the Merger Agreement that would cause the Joint Conditions to the Merger or the conditions to HPE's obligation to consummate the Merger described above not to be satisfied, and such breach is not cured by the earlier of 60 days after notice of the breach and the Outside Date, or is incapable of cure prior to the Outside Date;
- the CSC Board of Directors effects a Change in Recommendation; or



- CSC has failed to comply with its obligations under the Merger Agreement relating to non-solicitation or to hold the CSC special meeting for approval of the plan of merger contemplated by the Merger Agreement.

CSC, subject to specified qualifications and exceptions, may terminate the Merger Agreement if:

- HPE or Everett has breached any representation, warranty, covenant or agreement in the Merger Agreement that would cause the Joint Conditions to the Merger or the conditions to CSC's obligation to consummate the Merger described above not to be satisfied, and such breach is not cured by the earlier of 60 days after notice of the breach and the Outside Date, or is incapable of cure prior to the Outside Date; or
- the CSC Board of Directors or any committee thereof, prior to receipt of stockholder approval for the plan of merger contemplated by the Merger Agreement and subject to payment by CSC to HPE of \$275 million (the "Alternative Termination Fee"), authorizes CSC's entry into a definitive agreement with respect to a Superior Proposal and CSC enters into such agreement, in circumstances where CSC is permitted to terminate the Merger Agreement and accept such Superior Proposal.

**Termination Fees** (See "The Transaction Agreements—The Merger Agreement-Termination Fee and Expenses Payable in Certain Circumstances" beginning on page 112)

In addition to the Alternative Termination Fee described above, the Merger Agreement provides that upon termination of the Merger Agreement under specified circumstances, CSC is required to pay HPE a termination fee of \$160 million (the "Termination Fee"). The circumstances under which the Termination Fee may be payable include:

- if HPE terminates the Merger Agreement after CSC has materially breached its obligations under the non-solicitation provisions of the Merger Agreement or its obligation to hold a special meeting of CSC stockholders to vote on the proposal to approve the plan of merger contemplated by the Merger Agreement;
- if HPE terminates following a Change in Recommendation by the CSC Board of Directors;
- if (1) a Competing Proposal with respect to CSC is publicly made and not withdrawn five business days prior to specified events, (2) the Merger Agreement is terminated under any of the circumstances listed below and (3) CSC consummates, or enters into a definitive agreement with respect to and subsequently consummates, a Competing Proposal within twelve months of the termination of the Merger Agreement:
  - (a) in the event the Merger Agreement is terminated by either HPE or CSC after the failure to obtain approval from CSC stockholders of the plan of merger contemplated by the Merger Agreement at the CSC special meeting,
  - (b) in the event the Merger Agreement is terminated by HPE because CSC has committed an uncured or incurable breach of any representation, warranty, covenant or agreement in the Merger Agreement such that the conditions to the closing of the Merger would not be satisfied, or
  - (c) in the event the Merger Agreement is terminated by HPE because the transactions contemplated by the Merger Agreement have not been consummated prior to the Outside Date.

If the Merger Agreement is terminated because CSC's stockholders fail to approve the plan of merger contemplated by the Merger Agreement at the meeting of CSC stockholders, CSC will be required to reimburse HPE in cash for certain out-of-pocket fees and expenses incurred by HPE in connection with the Transactions, up to a maximum of \$45 million in the aggregate.

**Expenses** (See “The Transaction Agreements—The Merger Agreement—Termination Fee and Expenses Payable in Certain Circumstances” beginning on page 112)

Except for expenses in connection with the termination of the Merger Agreement, which are discussed immediately above, and certain other specified fees and expenses that are to be shared equally by HPE and CSC, the Merger Agreement provides that each party will pay all of its own fees and expenses.

**Certain Adjustments Pursuant to Separation Agreement** (See “The Transaction Agreements—The Separation and Distribution Agreement—Post-Closing Adjustments” beginning on page 118)

The Separation Agreement provides for a post-closing adjustment to the extent that the actual amounts of certain cash conversion cycle metrics of Everett and the Everett subsidiaries as of 11:59 pm on the day prior to the Distribution Date is greater or less than specified targets for such metrics, based on the average of such metrics for Everett and its subsidiaries on a combined basis for the twelve months ended April 30, 2016.

If the actual final cash conversion cycle metric exceeds the target metric, then Everett will pay to HPE the excess. If the actual final cash conversion cycle metric is less than the actual final cash conversion cycle metric, then HPE will pay to Everett the amount of such shortfall.

The Separation Agreement also provides for other post-closing adjustments based on cash and cash equivalents, net intercompany payables and receivables, VAT and other sales taxes payable and receivable, accrued payroll and accrued bonus.

**U.S. Federal Income Tax Consequences of the Distribution and Merger** (see “U.S. Federal Income Tax Consequences of the Distribution and Merger” beginning on page 90)

The completion of the Transactions is conditioned upon the receipt by HPE of the Distribution Tax Opinion to the effect that, for U.S. federal income tax purposes, the Contribution, taken together with the Distribution, will qualify as a tax-free transaction under Sections 368(a), 361 and 355 of the Code. Provided that the Contribution and the Distribution so qualify, HPE and its stockholders will not recognize any taxable income, gain or loss as a result of the Distribution for U.S. federal income tax purposes (except for any gain or loss attributable to the receipt of cash in lieu of fractional shares of Everett common stock).

In addition, the completion of the Transactions is conditioned upon the receipt by HPE and CSC of Merger Tax Opinions to the effect that, for U.S. federal income tax purposes, the Merger will qualify as a “reorganization” within the meaning of Section 368(a) of the Code. Provided that the Merger so qualifies, CSC and its stockholders will not recognize any taxable income, gain or loss as a result of the Merger for U.S. federal income tax purposes (except for any gain or loss attributable to the receipt of cash in lieu of fractional shares of Everett common stock).

**No Dissenters’ or Appraisal Rights** (see “The Transactions—Rights of Appraisal” beginning on page 89)

Neither CSC nor HPE stockholders have appraisal rights under Delaware law or Nevada law, as applicable, in connection with the Separation, the Distribution or the Merger.

## SUMMARY HISTORICAL CONDENSED CONSOLIDATED FINANCIAL INFORMATION OF CSC

The following summary historical condensed consolidated financial information of CSC as of July 1, 2016 and for the three months ended July 1, 2016 and July 3, 2015 have been derived from the July 1, 2016 unaudited condensed consolidated financial statements of CSC, which are incorporated by reference in this document. The financial information as of July 3, 2015 have been derived from CSC's unaudited condensed consolidated financial statements not included in this document. In the opinion of CSC's management, such unaudited financial statements reflect all adjustments, consisting only of normal and recurring adjustments, necessary for the fair presentation of the interim periods. The summary historical condensed consolidated financial information below is not necessarily indicative of the results of operations or financial condition that may be expected for any future period or date, and the results for the interim periods presented below are not necessarily indicative of the results for the full fiscal year. The financial information as of April 1, 2016 and April 3, 2015 and for the twelve months ended April 1, 2016, April 3, 2015 and March 28, 2014 have been derived from CSC's audited consolidated financial statements incorporated by reference in this document. The financial information as of March 28, 2014 have been derived from CSC's audited consolidated financial statements not included in this document. This information is only a summary and should be read in conjunction with the financial statements of CSC and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in CSC's Quarterly Report on Form 10-Q as of and for the three months ended July 1, 2016 and Annual Report on Form 10-K as of and for the twelve months ended April 1, 2016, each of which is incorporated by reference in this document, and the unaudited pro forma condensed combined financial statements of CSC and Everett included elsewhere in this document. See "Where You Can Find Additional Information."

	As of and for the three months ended		As of and for the twelve months ended		
	July 1, 2016 <sup>(1)</sup>	July 3, 2015 <sup>(2)</sup>	April 1, 2016 <sup>(1)(2)(3)</sup>	April 3, 2015 <sup>(1)(2)(3)(4)</sup>	March 28, 2014 <sup>(1)(2)(3)</sup>
(in millions, except per-share amounts)		(as adjusted)		(as adjusted)	(as adjusted)
<b>Results of Consolidated Operations Data</b>					
Revenues	\$1,930	\$1,804	\$7,106	\$8,117	\$8,899
(Loss) income from continuing operations, before taxes	(36)	72	10	(671)	694
(Loss) income from continuing operations	(20)	65	72	(207)	520
Income from discontinued operations, net of taxes	—	102	191	224	448
Net (loss) income	(20)	167	263	17	968
Less: net income attributable to noncontrolling interest, net of tax	1	4	12	15	21
Net (loss) income attributable to CSC common stockholders	<u>\$ (21)</u>	<u>\$ 163</u>	<u>\$ 251</u>	<u>\$ 2</u>	<u>\$ 947</u>
<b>(Loss) earnings per common share</b>					
Basic:					
Continuing operations	\$ (0.15)	\$ 0.47	\$ 0.51	\$ (1.45)	\$ 3.52
Discontinued operations	—	0.71	1.31	1.46	2.89
	<u>\$ (0.15)</u>	<u>\$ 1.18</u>	<u>\$ 1.82</u>	<u>\$ 0.01</u>	<u>\$ 6.41</u>
Diluted:					
Continuing operations	\$ (0.15)	\$ 0.46	\$ 0.50	\$ (1.45)	\$ 3.45
Discontinued operations	—	0.69	1.28	1.46	2.83
	<u>\$ (0.15)</u>	<u>\$ 1.15</u>	<u>\$ 1.78</u>	<u>\$ 0.01</u>	<u>\$ 6.28</u>
Cash dividend per common share	\$ 0.14	\$ 0.23	\$ 2.99	\$ 0.92	\$ 0.80

- (1) (Loss) income from continuing operations, before taxes was affected by restructuring costs of \$57 million in the three months ended July 1, 2016; \$256 million in fiscal 2015 and \$74 million in fiscal 2014; debt extinguishment costs of \$95 million in fiscal 2016; and SEC settlement related charges of \$197 million in fiscal 2015.
- (2) During the twelve months ended April 1, 2016, CSC completed the separation of the Company's U.S. public sector business and merger with SRA International, Inc. to form a new publicly traded company: CSRA Inc. The operating results of the U.S. public sector business are included in Income from discontinued operations, net of taxes.
- (3) The year-over-year trend of (loss) income from continuing operations, before taxes has been impacted by the recognition of actuarial and settlement (losses) gains related to the Company's pension and OPEB plans of \$(99) million, \$(584) million, and \$217 million in fiscal 2016, 2015, and 2014, respectively. As a result of the separation of the Company's U.S. public sector business, the majority of U.S. pension and other benefit plans were transferred to CSRA Inc.
- (4) (Loss) income from continuing operations for fiscal 2015 includes a \$264 million tax benefit from reversal of a valuation allowance.

(in millions)	As of and for the three months ended		As of and for the twelve months ended		
	July 1, 2016	July 3, 2015	April 1, 2016	April 3, 2015 (as adjusted)	March 28, 2014
<b>Consolidated Balance Sheet Data</b>					
Total assets .....	\$ 8,857	\$10,116	\$ 7,736	\$10,221	\$11,361
<b>Capitalization</b>					
Short-term debt and current maturities of long-term debt .....	\$ 700	\$ 911	\$ 710	\$ 883	\$ 681
Long-term debt .....	2,543	1,707	1,934	1,635	2,207
Total equity .....	2,229	3,014	2,032	2,965	3,950
Total capitalization .....	\$ 5,472	\$ 5,632	\$ 4,676	\$ 5,483	\$ 6,838
<b>Consolidated Cash Flow Data</b>					
Net cash provided by operating activities .....	\$ 50	\$ 362	\$ 802	\$ 1,473	\$ 1,577
Net cash used in investing activities .....	\$ (549)	\$ (84)	\$ (1,180)	\$ (536)	\$ (566)
Net cash provided by (used in) financing activities .....	\$ 354	\$ (216)	\$ (485)	\$ (1,078)	\$ (616)
<b>Other Consolidated Data</b>					
Capital expenditures .....	\$ 89	\$ 92	\$ 412	\$ 406	\$ 595
Current ratio .....	1.2	1.4	1.3	1.4	1.6
Net debt-to-total capitalization <sup>(1)</sup> .....	41.0%	7.4%	31.4%	8.1%	6.5%
Average common shares outstanding—diluted ...	138.98	141.39	141.33	142.56	150.76

- (1) Net debt-to-total capitalization is a non-GAAP measure used by management to assess our ability to service our debts using only our cash and cash equivalents. We present this non-GAAP measure to assist investors in analyzing our capital structure in a more comprehensive way compared to gross debt based ratios alone. Net debt-to-total capitalization is defined as total debt less total cash and cash equivalents divided by the sum of total debt and equity, including non-controlling interest.

## SUMMARY HISTORICAL CONDENSED COMBINED FINANCIAL INFORMATION OF EVERETT

The following table presents the summary historical condensed combined financial information for Everett. The Combined Statements of Operations information and the Combined Statements of Cash Flows information for the nine months ended July 31, 2016 and 2015 and the Combined Balance Sheets information as of July 31, 2016 are derived from Everett's unaudited Condensed Combined Financial Statements included in this proxy statement/prospectus-information statement. The Combined Statements of Operations information and the Combined Statements of Cash Flows information for each of the three fiscal years ended October 31, 2015 and the Combined Balance Sheets information as of October 31, 2015 and 2014 set forth below are derived from Everett's audited Combined Financial Statements included in this proxy statement/prospectus-information statement. The Combined Balance Sheets information as of October 31, 2013 is derived from Everett's unaudited Combined Financial Statements that are not included in this proxy statement/prospectus-information statement.

The summary historical condensed combined financial information should be read in conjunction with the sections entitled "Selected Historical Condensed Combined Financial Information of Everett," "Management's Discussion and Analysis of Financial Condition and Results of Operations of Everett," and Everett's Combined and Condensed Combined Financial Statements and accompanying notes included elsewhere in this proxy statement/prospectus-information statement. Everett's historical condensed combined financial information presented below may not be indicative of its future performance and does not necessarily reflect what Everett's financial position and results of operations would have been had it been operating as a standalone public company during the periods presented, including changes that will occur in its operations and capitalization as a result of the spin-off of Everett and the Merger. See "Unaudited Pro Forma Condensed Combined Financial Information" for a further description of the anticipated changes.

	As of and for the nine months ended July 31		As of and for the fiscal years ended October 31		
	2016	2015	2015	2014	2013
	In millions				
<b>Combined Statements of Operations</b>					
Net revenue . . . . .	\$13,444	\$14,233	\$19,032	\$21,862	\$23,676
Loss from operations . . . . .	\$ (491)	\$ (965)	\$ (1,367)	\$ (1,298)	\$ (970)
Net loss . . . . .	\$ (489)	\$ (894)	\$ (1,885)	\$ (1,408)	\$ (1,652)
<b>Combined Balance Sheets</b>					
Total assets . . . . .	\$11,981		\$12,450	\$12,895	\$15,148
Long-term debt . . . . .	\$ 394		\$ 397	\$ 434	\$ 452
Total debt . . . . .	\$ 396		\$ 446	\$ 459	\$ 466
Total capital lease obligations . . . . .	\$ 2,392		\$ 2,388	\$ 2,485	\$ 3,048
<b>Combined Statements of Cash Flows</b>					
Net cash provided by operating activities . . . . .	\$ 527	\$ 732	\$ 762	\$ 807	\$ 900
Net cash provided by (used in) investing activities . . . . .	\$ 34	\$ (42)	\$ (115)	\$ (101)	\$ (179)
Net cash used in financing activities . . . . .	\$ (386)	\$ (649)	\$ (604)	\$ (733)	\$ (707)

## SUMMARY UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following summary unaudited pro forma condensed combined financial information present the pro forma financial information of CSC based upon the historical financial statements of each of CSC and Everett, after giving effect to the Merger and other Transactions as further described in the section of this document entitled “The Transactions.” The unaudited pro forma condensed combined financial information are intended to reflect the impact of the Merger and the other Transactions on CSC’s historical consolidated financial statements as if the relevant transactions occurred on April 4, 2015 for purposes of the unaudited condensed combined pro forma statement of operations and July 1, 2016 for purposes of the unaudited condensed combined pro forma balance sheet data. The unaudited pro forma condensed consolidated financial information have been prepared using, and should be read in conjunction with (i) the unaudited condensed consolidated financial statements of CSC as of and for the three months ended July 1, 2016, and the audited consolidated financial statements of CSC as of and for the twelve months ended April 1, 2016, which are incorporated by reference in this document, and (ii) the unaudited condensed combined financial statements of Everett as of and for the three months ended July 31, 2016, and the audited combined financial statements of Everett as of and for the year ended October 31, 2015, which are included elsewhere in this document. The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and does not purport to be indicative of the actual results that would have been achieved by CSC if the Merger and other Transactions had been consummated for the periods presented or that will be achieved in the future. This information is only a summary and has been derived from and should be read in conjunction with the more detailed unaudited condensed combined financial statements and the notes thereto, included elsewhere in this document, which have been prepared in accordance with Article 11 of Regulation S-X. See “Where You Can Find Additional Information.”

(in millions)	Historical		Adjustments	Pro Forma Combined
	CSC as of and for the three months ended July 1, 2016	Everett as of and for the three months ended July 31, 2016 <sup>(1)</sup>		
Revenue .....	\$1,930	\$ 4,484	\$ —	\$ 6,414
(Loss) income from continuing operations before income taxes .....	(36)	(300)	60	(276)
Income tax (benefit) expense .....	(16)	(110)	22	(104)
(Loss) income from continuing operations .....	(20)	(190)	38	(172)
Less: net income attributable to noncontrolling interests, net of tax .....	1	1	—	2
Net (loss) income attributable to the company .....	<u>\$ (21)</u>	<u>\$ (191)</u>	<u>\$ 38</u>	<u>\$ (174)</u>
Total assets .....	\$8,857	\$11,981	\$7,120	\$27,958
Long-term debt (including capital lease obligations), net of current maturities .....	\$2,543	\$ 1,987	\$2,391	\$ 6,921

(in millions)	Historical		Adjustments	Pro Forma Combined
	CSC as of and for the twelve months ended April 1, 2016	Everett as of and for the twelve months ended April 30, 2016 <sup>(1)</sup>		
Revenues .....	\$7,106	\$18,548	\$ —	\$25,654
(Loss) income from continuing operations before income taxes .....	10	(1,180)	(108)	(1,278)
Income tax (benefit) expense .....	(62)	522	(27)	433
(Loss) income from continuing operations .....	72	(1,702)	(81)	(1,711)
Less: net income attributable to noncontrolling interests, net of tax .....	1	5	—	6
Net (loss) income attributable to the company .....	<u>\$ 71</u>	<u>\$ (1,707)</u>	<u>\$ (81)</u>	<u>\$ (1,717)</u>

(1) See Unaudited Pro Forma Condensed Combined Financial Statements for Everett balances reclassified to conform to CSC's financial statement presentation.

## SUMMARY HISTORICAL AND PRO FORMA PER SHARE INFORMATION OF CSC

The following table sets forth certain historical, pro forma and supplemental per-share data for CSC. The CSC historical data has been derived from and should be read together with CSC's unaudited condensed consolidated financial statements and related notes thereto contained in CSC's Quarterly Report on Form 10-Q as of and for the three months ended July 1, 2016 and Annual Report on Form 10-K as of and for the twelve months ended April 1, 2016, each of which is incorporated by reference in this document. See "Where You Can Find Additional Information" The pro forma financial information as of and for the three months ended July 1, 2016 and for the twelve months ended April 1, 2016 has been derived from the unaudited pro forma condensed combined financial information included elsewhere in this document. See "Unaudited Pro Forma Condensed Combined Financial Information."

This comparative historical, pro forma and supplemental per-share data is being provided for illustrative purposes only. CSC and Everett may have performed differently had the Merger and other Transactions occurred prior to the periods or at the date presented. You should not rely on the pro forma and supplemental per-share data presented as being indicative of the results that would have been achieved had CSC and Everett been combined during the periods or at the date presented or of the future results or financial condition of CSC or Everett to be achieved following the consummation of the Merger and other Transactions.

	As of and for the three months ended July 1, 2016	
	<u>CSC Historical</u>	<u>Pro Forma Combined</u>
Earnings per share:		
Loss from continuing operations—basic .....	\$ (0.15)	\$ (0.62)
Loss from continuing operations—diluted .....	\$ (0.15)	\$ (0.62)
Weighted average common shares outstanding—basic .....	138.98	281.42
Weighted average common shares outstanding—diluted .....	138.98	281.42
Book value per share of common stock .....	\$ 14.16	\$ 35.20
Dividends declared per share of common stock .....	\$ 0.14	\$ 0.14

	As of and for the twelve months ended April 1, 2016	
	<u>CSC Historical</u>	<u>Pro Forma Combined</u>
Earnings per share:		
Income (loss) from continuing operations—basic .....	\$ 0.51	\$ (6.10)
Income (loss) from continuing operations—diluted .....	\$ 0.50	\$ (6.10)
Weighted average common shares outstanding—basic .....	138.28	281.42
Weighted average common shares outstanding—diluted .....	141.33	281.42
Book value per share of common stock .....	N/A	N/A
Dividends declared per share of common stock .....	\$ 2.99	\$ 2.99



## HISTORICAL MARKET PRICE AND DIVIDEND INFORMATION OF CSC COMMON STOCK

CSC common stock currently trades on the New York Stock Exchange under the ticker symbol “CSC.” On May 23, 2016, the last trading day before the announcement of the signing of the Merger Agreement, the closing price of CSC common stock was \$35.00 per share. On November 1, 2016, the last practicable trading day for which information is available as of the date of this proxy statement/prospectus-information statement, the closing price of CSC common stock was \$53.27 per share. The following table sets forth the high and low sales prices per share of CSC common stock for the periods indicated as well as cash dividends per share declared by CSC to holders of CSC common stock for the periods indicated. The quotations are as reported in published financial sources. For current price information, CSC and HPE stockholders are urged to consult publicly available sources.

	<u>CSC Per Share Dividends</u>	<u>CSC Common Stock</u>	
		<u>High</u>	<u>Low</u>
<b>Year Ending March 31, 2017</b>			
Third Quarter Ending December 30, 2016 (through November 1, 2016) . . . . .		\$56.94	\$50.41
Second Quarter Ended September 30, 2016 . . . . .	\$0.14	\$53.46	\$45.37
First Quarter Ended July 1, 2016 . . . . .	\$0.14	\$52.55	\$32.51
<b>Year Ending April 1, 2016</b>			
Fourth Quarter Ended April 1, 2016 . . . . .	\$0.14	\$34.49	\$24.27
Third Quarter Ended January 1, 2016 <sup>(1)(2)</sup> . . . . .	\$2.39	\$71.15	\$29.51
Second Quarter Ended October 3, 2015 . . . . .	\$0.23	\$68.57	\$58.77
First Quarter Ended July 3, 2015 . . . . .	\$0.23	\$71.00	\$63.85
<b>Year Ending April 3, 2015</b>			
Fourth Quarter Ended April 3, 2015 . . . . .	\$0.23	\$73.29	\$59.80
Third Quarter Ended January 2, 2015 . . . . .	\$0.23	\$66.99	\$54.23
Second Quarter Ended October 3, 2014 . . . . .	\$0.23	\$65.52	\$56.19
First Quarter Ended July 4, 2014 . . . . .	\$0.23	\$64.72	\$57.46

- (1) In connection with the spin-off of CSRA Inc. by CSC effective November 27, 2015, on November 30, 2015 a special cash dividend of \$10.50 per share was paid to CSC stockholders of record as of November 18, 2015. Of that \$10.50 per share dividend, \$2.25 was paid by CSC and \$8.25 was paid by CSRA Inc.
- (2) The CSC high and low sales prices and cash dividend per share reflect the spin-off by CSC of CSRA Inc. effective November 27, 2015.

The timing, declaration, amount and payment of any future dividends to CSC stockholders will fall within the discretion of the CSC Board of Directors, and will depend on many factors, including CSC’s financial condition, results of operations and capital requirements, legal requirements, regulatory constraints, industry practice and other business considerations that CSC’s Board of Directors deems relevant from time to time. In addition, the terms of agreements governing CSC’s debt or debt that CSC may incur in the future may restrict the payment of dividends. There can be no assurance that CSC will pay any dividend in the future.

Market price data for Everett common stock has not been presented because Everett is a wholly-owned subsidiary of HPE, and shares of Everett common stock do not trade separately from shares of HPE common stock.

## RISK FACTORS

*You should carefully consider all of the information contained or incorporated by reference in this proxy statement/prospectus-information statement, including the risks discussed in Part I, Item 1A—Risk Factors in CSC’s Annual Report on Form 10-K for the year ended April 1, 2016 and in Part II, Item 1A—Risk Factors in CSC’s Quarterly Report on Form 10-Q for the quarterly period ended July 1, 2016. Some of the risks relate to the Transactions and others to the combined company after the Transactions. Some risks relate principally to the securities markets and ownership of CSC common stock.*

*Any of the following risks could materially and adversely affect CSC’s, Everett’s or the combined company’s business, financial condition and results of operations and the actual outcome of matters as to which forward-looking statements are made in this proxy statement/prospectus-information statement. In such case, the trading price for CSC common stock could decline, and you could lose all or part of your investment. The risks described below are not the only risks that CSC currently faces or that the combined company will face after the consummation of the Transactions. Additional risks and uncertainties not currently known or that are currently expected to be immaterial may also materially and adversely affect the combined company’s business, financial condition and results of operations or the price of combined company common stock in the future. Past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods.*

### **Risks Related to the Transactions**

***The Transactions may not be completed on the terms or timeline currently contemplated, or at all.***

The consummation of the Transactions is subject to numerous conditions, including (1) the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the receipt of regulatory approvals in certain other jurisdictions, (2) the effectiveness of the registration statements filed with the SEC by Everett in connection with the Transactions, (3) the approval by CSC’s stockholders of the Merger, (4) the consummation of the Reorganization and Distribution in all material respects in accordance with the Separation Agreement, (5) the receipt by HPE of an opinion from its counsel with respect to certain federal income tax matters related to the Separation, Contribution, Distribution and Debt Exchange, (6) the receipt by HPE, on the one hand, and CSC, on the other hand, of an opinion from their respective counsel to the effect that the Merger will be treated as a “reorganization” for U.S. federal income tax purposes, (7) consummation of the Debt Exchange and receipt by HPE of the Everett Payment immediately before the Distribution and (8) other customary closing conditions. See “The Transaction Agreements—The Merger Agreement—Conditions to the Merger.”

If the Transactions are not completed for any reason, including the failure to complete the Merger by August 23, 2017 (or such later date to which such date may be extended in accordance with the terms of the Merger Agreement), the price of CSC common stock may decline to the extent that the market price of CSC common stock reflects or previously reflected positive market assumptions that the Transactions would be completed and the related benefits would be realized. In addition, CSC and HPE have expended and will continue to expend significant management time and resources and have incurred and will continue to incur significant expenses due to legal, advisory, printing and financial services fees related to the Transactions. These expenses must be paid regardless of whether the Transactions are consummated. If the Transactions are not consummated because the Merger Agreement is terminated, CSC may be required under certain circumstances to pay HPE a termination fee of \$160 million or under other circumstances an alternative termination fee of \$275 million. If CSC’s stockholders do not approve the plan of merger contemplated by the Merger Agreement at the CSC special meeting and the Merger Agreement is terminated by either HPE or CSC, CSC must reimburse HPE’s out-of-pocket fees and expenses in connection with the Transactions in an amount not to exceed \$45 million. There is no assurance that the Transactions will be consummated. See “The Transaction Agreements—The Merger Agreement.”

***The combined company may not realize the anticipated benefits from the Transactions.***

The combined company is expected to realize cost and revenue synergies, growth opportunities, and other financial and operating benefits as a result of the Transactions. The combined company's success in realizing these benefits, and the timing of their realization, depends on the successful integration of the business operations of Everett with CSC. Even if CSC and Everett successfully integrate, CSC and Everett cannot predict with certainty if or when these cost and revenue synergies, growth opportunities and benefits will occur, or the extent to which they actually will be achieved. For example, the benefits from the Transactions may be offset by costs incurred in integrating the companies or in required capital expenditures related to the acquired Everett business. In addition, the quantification of synergies expected to result from the Transactions is based on significant estimates and assumptions that are subjective in nature and inherently uncertain. Realization of any benefits and synergies could be affected by a number of factors beyond CSC's, Everett's or the combined company's control, including, without limitation, general economic conditions, increased operating costs, regulatory developments and the other risks described in these risk factors. The amount of synergies actually realized in the Transactions, if any, and the time periods in which any such synergies are realized, could differ materially from the expected synergies discussed in this proxy statement/prospectus-information statement, regardless of whether the two business operations are combined successfully. If the integration is unsuccessful or if the combined company is unable to realize the anticipated synergies and other benefits of the Transactions, there could be a material adverse effect on the combined company's business, financial condition and results of operations.

***The Transactions may discourage other companies from trying to acquire the combined company.***

The "no solicitation" provisions in the Merger Agreement prohibit CSC from soliciting any competing acquisition proposal involving CSC as set forth in the Merger Agreement. The Merger Agreement generally prohibits CSC from soliciting any alternative transaction proposal, although in certain circumstances CSC may terminate the Merger Agreement in order to accept an unsolicited alternative transaction proposal that the CSC Board of Directors determines is superior to the Transactions. The Merger Agreement provides that in certain circumstances CSC may be required to pay HPE a termination fee of \$160 million if the Merger Agreement is terminated or an alternative termination fee of \$275 million, which payment might deter third parties from proposing alternative business combination proposals that might have resulted in greater value to CSC stockholders than the Transactions.

In addition, certain provisions of the Tax Matters Agreement, which are intended to preserve the intended tax treatment of the Contribution, the Distribution, the Merger and certain related transactions consummated in connection with the Contribution, may discourage, delay or prevent acquisition proposals and otherwise limit the combined company's ability to pursue certain strategic transactions or engage in other transactions, including mergers or consolidations for a period of time following the Transactions. Under the Tax Matters Agreement, the combined company will be restricted from taking certain actions for a period of time following the Transactions because such actions could adversely affect the intended tax treatment of the Contribution, the Distribution and the Merger, and such restrictions could be significant. See "Additional Agreements Related to the Separation, the Distribution and the Merger—Tax Matters Agreement."

Because the combined company will be a larger company than either Everett or CSC is currently, with significantly more shares of common stock outstanding after the consummation of the Transactions than the number of CSC shares currently outstanding, an acquisition of the combined company may become more expensive than an acquisition of Everett or CSC would be currently. As a result, some potential acquirors may not seek to acquire the combined company, and the reduction in potential acquirors could reduce the prices at which the combined company's common stock trades.

***Significant costs related to the Transactions are expected to have an unfavorable effect on CSC's or the combined company's liquidity, cash flows and operating results.***

Significant one-time costs are expected in connection with the Transactions, including approximately \$75 million of advisory, legal, accounting and other professional fees incurred by CSC related to the Transactions.

The incurrence of these costs will have an unfavorable effect on the combined company's liquidity, cash flows and operating results in the periods in which they are incurred.

***Current CSC stockholders' percentage ownership interest in the combined company will be substantially lower than their current percentage ownership interest in CSC.***

After the consummation of the Merger, the CSC common stock outstanding immediately prior to the consummation of the Merger will represent, in the aggregate, approximately 49.9% of the combined company's shares of common stock outstanding immediately following the effective time of the Merger. See "The Transaction Agreements—The Merger Agreement—Merger Consideration." Consequently, CSC's pre-Merger stockholders, as a group, will be able to exercise less influence over the management and policies of the combined company following the consummation of the Merger than immediately prior to the consummation of the Merger.

***Sales of combined company common stock may negatively affect the market price of combined company common stock.***

The shares of combined company common stock to be issued in the Distribution and the Merger will generally be eligible for immediate resale. The market price of combined company common stock could decline as a result of sales of a large number of shares of combined company common stock in the market, or even the perception that these sales could occur. These sales, or the possibility that these sales may occur, may also make it more difficult for the combined company to obtain additional capital by selling equity securities in the future on favorable terms when desired.

***CSC, Everett and the combined company may have difficulty attracting, motivating and retaining executives and other employees in light of the Transactions.***

Uncertainty about the effect of the Transactions on employees of CSC and Everett may have an adverse effect on CSC, Everett and the combined company. This uncertainty may impair the ability of CSC, Everett and the combined company to attract, retain and motivate personnel until the Transactions are completed. Employee retention may be particularly challenging during the pendency of the Transactions, as employees may feel uncertain about their future roles with the combined company after their combination. If employees of CSC, or Everett depart because of issues relating to the uncertainty and difficulty of integration or a desire not to become employees of the combined company after the Transactions, the combined company's ability to realize the anticipated benefits of the Transactions could be reduced.

***The integration of Everett with CSC following the Transactions may present significant challenges.***

There is a significant degree of difficulty inherent in the process of integrating Everett and CSC. These difficulties include:

- the integration of Everett and CSC's current businesses while carrying on the ongoing operations of all businesses;
- the challenge of integrating the business cultures of Everett and CSC, which may prove to be incompatible;
- the challenge and cost of integrating certain information technology systems and other systems of Everett with those of CSC; and
- the potential difficulty in retaining key officers and personnel of CSC and Everett.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of the combined company's businesses. Members of senior management of CSC, Everett or the

combined company may be required to devote considerable amounts of time to this integration process, which will decrease the time they will have to manage the business of CSC, Everett or the combined company, service existing businesses, and develop new services or strategies. In addition, certain existing contractual restrictions limit the ability to engage in certain integration activities for varying periods after the Merger. There is no assurance that the combined company will be able to manage this integration to the extent or in the time horizon anticipated, particularly given the larger scale of the Everett business in comparison to CSC's own. If senior management of CSC, Everett or the combined company is not able to timely and effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, the businesses of CSC, Everett or the combined company could suffer.

The delay or inability to achieve anticipated integration goals could have a material adverse effect on the combined company's business, financial condition and results of operations after the Transactions.

***Combined company results may be negatively affected if Everett is unable to obtain the same types and level of benefits, services and resources that historically have been provided by HPE, or may be unable to provide them at the same cost.***

Everett has historically received benefits and services from HPE. After the Transactions, CSC will be a subsidiary of Everett, and Everett will no longer benefit from HPE's services or business relationships to the extent not otherwise addressed in the Transaction Documents. While HPE has agreed to provide certain transition services to Everett for a period of up to nine months following the Distribution Date (with certain possibility for extension), and, although HPE, CSC and Everett will enter into certain other agreements that will provide for continued services to be provided from HPE to Everett, it cannot be assured that Everett will be able to adequately replace or provide resources formerly provided by HPE, or replace them at the same or lower cost. See "Additional Agreements Related to the Separation, the Distribution and the Merger." If Everett is not able to replace the resources provided by HPE or is unable to replace them without incurring significant additional costs or is delayed in replacing the resources provided by HPE, or if the potential customers or other partners of Everett do not view the combined company's business relationships as equivalent to HPE's, the combined company's results of operations may be harmed.

***The combined company will have an ongoing relationship with HPE after the Transactions and, as a result, the future state or actions of HPE or any successor of HPE could affect the combined company's reputation, business, financial condition and results of operations.***

Certain additional agreements related to the Separation, Distribution and Merger provide for ongoing services by HPE. Changes in the strategic direction of HPE, or any successor of HPE, could, over time, impact the positioning and offerings of HPE's brands and programs, including those being made available to the combined company. As part of its ongoing evaluation of business and strategic planning alternatives, the HPE Board of Directors and HPE's senior management regularly review HPE's businesses, its strategic direction, performance and prospects in the context of developments in the industries in which it operates and the competitive landscape in the markets in which it operates. See "Additional Agreements Related to the Separation, the Distribution and the Merger."

***The historical combined financial information of Everett may not be representative of its results if it had been operated independently of HPE and as a result, may not be a reliable indicator of the results that it will achieve as an independent company with CSC as a wholly owned subsidiary.***

The Everett business is currently operated through various subsidiaries of HPE. Consequently, the financial information of Everett included in this proxy statement/prospectus-information statement has been derived from the combined and consolidated financial statements and accounting records of HPE and reflects assumptions and allocations made by HPE. The financial position, results of operations and cash flows of Everett presented may be different from those that would have resulted if Everett had been operated as a standalone company or by a



company other than HPE. For example, in preparing the financial statements of Everett, HPE made an allocation of HPE costs and expenses that are attributable to the Everett business. However, these costs and expenses reflect the costs and expenses attributable to the Everett business as part of a larger organization and do not necessarily reflect costs and expenses that would be incurred by Everett had it been operated independently, and may not reflect costs and expenses that would have been incurred had CSC been operated as a subsidiary of Everett. As a result, the historical financial information of Everett may not be a reliable indicator of Everett's future results or the results that it will achieve with CSC as a wholly-owned subsidiary of Everett.

***The unaudited pro forma condensed combined financial information of CSC and Everett is not intended to reflect what actual results of operations and financial condition would have been had CSC and Everett been a combined company for the periods presented, and therefore these results may not be indicative of the combined company's future operating performance.***

Because Everett will combine with CSC only upon completion of the Transactions, Everett has no available historical consolidated financial information for Everett and CSC. The historical financial statements contained or incorporated by reference in this document consist of the separate financial statements of Everett and CSC, respectively. The unaudited pro forma condensed combined financial information presented in this document is for illustrative purposes only and is not intended to, and does not purport to, represent what Everett's actual results or financial condition would have been if the Transactions had occurred on the relevant date. In addition, such unaudited pro forma condensed combined financial information is based in part on certain assumptions regarding the Transactions that Everett and CSC believe are reasonable. These assumptions, however, are only preliminary and will be updated only after the consummation of the Transactions.

Following the effective date of the Merger, Everett expects to complete the purchase price allocation after considering the fair value of the assets and liabilities of CSC at the level of detail necessary to finalize the required purchase price allocation. The final purchase price allocation may be different than that reflected in the unaudited pro forma purchase price allocation presented herein, and this difference may be material.

The unaudited pro forma condensed combined financial information does not reflect the costs of any integration activities or transaction-related costs or incremental capital spend that CSC management believes are necessary to realize the anticipated synergies from the Transactions. Accordingly, the pro forma financial information included in this document does not reflect what Everett's results of operations or operating condition would have been had CSC and Everett been a consolidated entity during all periods presented, or what the combined company's results of operations and financial condition will be in the future.

***Everett and CSC will be subject to potentially significant restrictions that could limit the combined company's ability to undertake certain corporate actions (such as the issuance of CSC common stock or the undertaking of a merger or consolidation) that otherwise could be advantageous.***

To preserve the tax-free treatment to HPE and/or its stockholders of the Distribution and certain related transactions, under the Tax Matters Agreement, Everett and CSC will be restricted from taking certain actions that could adversely affect the intended tax treatment of the Transactions. These restrictions may limit the combined company's ability to pursue certain strategic transactions or engage in other transactions, including stock issuances, certain asset dispositions, mergers, consolidations and other strategic transactions for a period of time following the Transactions. As a result, the combined company might determine to forgo certain transactions that otherwise could be advantageous. See "Additional Agreements Related to the Separation, the Distribution and the Merger—Tax Matters Agreement" for a detailed description of these restrictions.

***The Distribution could result in significant tax liabilities, and Everett and CSC may be obligated to indemnify HPE for any such tax liability imposed on HPE.***

The completion of the Transactions is conditioned upon the receipt by HPE of the Distribution Tax Opinion to the effect that, for U.S. federal income tax purposes, the Contribution, taken together with the Distribution,

will qualify as a tax-free transaction under Sections 368(a), 361 and 355 of the Code. HPE also intends to seek a ruling from the IRS regarding certain issues relevant to the qualification of the Distribution and certain other aspects of the Separation for tax-free treatment for U.S. federal income tax purposes (the “IRS Ruling”).

Although the IRS Ruling, if received, will generally be binding on the IRS, the continuing validity of the IRS Ruling will be subject to the accuracy of factual representations and assumptions made in the ruling request. In addition, as part of the IRS’s general ruling policy with respect to split-off and spin-off transactions under Section 355 of the Code, the IRS will not rule on the overall qualification of the Distribution for tax-free treatment, but instead only on certain significant issues related thereto. As a result of this IRS ruling policy, HPE will obtain the opinion of counsel described above. The Distribution Tax Opinion will be based on current law and will rely upon various factual representations and assumptions, as well as certain undertakings made by HPE, Everett and CSC. If any of those representations or assumptions is untrue or incomplete in any material respect or any of those undertakings is not complied with, or if the facts upon which the Distribution Tax Opinion is based are materially different from the actual facts that exist at the time of the Distribution, the conclusions reached in the Distribution Tax Opinion could be adversely affected and the Distribution may not qualify for tax-free treatment. Opinions of counsel are not binding on the IRS or the courts. No assurance can be given that the IRS will not challenge the conclusions set forth in the Distribution Tax Opinion or that a court would not sustain such a challenge.

If the Distribution were determined not to qualify for tax-free treatment under Section 355 of the Code, HPE would generally be subject to tax as if it sold the Everett common stock in a taxable transaction, which could result in a material tax liability. In addition, each HPE stockholder who receives Everett common stock in the Distribution would generally be treated as receiving a taxable distribution in an amount equal to the fair market value of the Everett common stock received by the stockholder in the Distribution. See “U.S. Federal Income Tax Consequences of the Distribution and Merger.”

Even if the Distribution otherwise qualifies under Section 355 of the Code, the Distribution would be taxable to HPE (but not to HPE stockholders) pursuant to Section 355(e) of the Code if one or more persons acquire a 50% or greater interest (measured by vote or value) in the stock of HPE or Everett, directly or indirectly (including through acquisitions of the combined company’s stock after the completion of the Transactions), as part of a plan or series of related transactions that includes the Distribution. Current law generally creates a presumption that any direct or indirect acquisition of stock of HPE or Everett within two years before or after the Distribution is part of a plan that includes the Distribution, although the parties may be able to rebut that presumption in certain circumstances. The process for determining whether an acquisition is part of a plan under these rules is complex, inherently factual in nature, and subject to a comprehensive analysis of the facts and circumstances of the particular case. Although it is expected that the Merger will be treated as part of such a plan, the Merger standing alone will not cause Section 355(e) of the Code to apply to the Distribution because holders of Everett common stock immediately before the Merger will hold more than 50% of the stock of the combined company (by vote and value) immediately after the Merger. However, if the IRS were to determine that other direct or indirect acquisitions of stock of HPE or Everett, either before or after the Distribution, were part of a plan that includes the Distribution, such determination could cause Section 355(e) of the Code to apply to the Distribution, which could result in a material tax liability.

Under the Tax Matters Agreement, Everett and CSC will be required to indemnify HPE against any taxes resulting from the Distribution or certain aspects of the Separation that arise as a result of an Everett Tainting Act (as defined in the Tax Matters Agreement). If HPE were to recognize taxable gain on the Distribution or the Separation for any reason other than an Everett Tainting Act by Everett or CSC, HPE would not be entitled to indemnification under the Tax Matters Agreement and the resulting tax liability to HPE could have a material adverse effect on HPE. If Everett or CSC were required to indemnify HPE for taxes resulting from the Distribution or the Separation, that indemnification obligation would likely be substantial and could have a material adverse effect on the combined company, including with respect to its financial condition and results of operations. For a detailed description of the Tax Matters Agreement, see “Additional Agreements Related to the Separation, the Distribution and the Merger—Tax Matters Agreement.”

***If the Merger does not qualify as a reorganization under Section 368(a) of the Code, the stockholders of CSC may incur significant tax liabilities.***

The completion of the Transactions is conditioned upon the receipt by HPE and CSC of Merger Tax Opinions to the effect that, for U.S. federal income tax purposes, the Merger will qualify as a “reorganization” within the meaning of Section 368(a) of the Code. The parties do not intend to seek a ruling from the IRS regarding such qualification.

The Merger Tax Opinions will be based on current law and will rely upon various factual representations and assumptions, as well as certain undertakings made by HPE, Everett and CSC. If any of those representations or assumptions is untrue or incomplete in any material respect or any of those undertakings is not complied with, or if the facts upon which the Merger Tax Opinions are based are materially different from the actual facts that exist at the time of the Merger, the conclusions reached in the Merger Tax Opinions could be adversely affected and the Merger may not qualify for tax-free treatment. Opinions of counsel are not binding on the IRS or the courts. No assurance can be given that the IRS will not challenge the conclusions set forth in the Merger Tax Opinions or that a court would not sustain such a challenge.

If the Merger were determined to be taxable, holders of CSC common stock would be considered to have made a taxable disposition of their shares of CSC common stock to Everett, and such stockholders would generally recognize taxable gain or loss on their receipt of Everett common stock in the Merger. See “U.S. Federal Income Tax Consequences of the Distribution and Merger.”

#### **Risks Related to the Combined Company, After the Transactions**

***The business of the combined company may be adversely impacted as a result of changes in demand, both globally and in individual market segments, for IT outsourcing, consulting, industry software and solutions, application services and next-generation cloud offerings. In addition, worldwide economic weakness and uncertainty could adversely affect the combined company’s revenue or expenses.***

Current weakness in worldwide economic conditions and political uncertainty may adversely impact customers’ demand for the services of the combined company in the markets in which CSC, Everett and the combined company compete, including customers’ demand for IT outsourcing, consulting, industry software and solutions, application services and next-generation cloud offerings and other information technology services.

***The primary markets of CSC and Everett, including IT outsourcing, consulting, industry software and solutions, application services, and next-generation cloud, are highly competitive markets. If the combined company is unable to compete in these highly competitive markets, the results of operations of the combined company will be materially and adversely affected.***

The competitors of CSC and Everett include large, technically competent and well capitalized companies, some of which have emerged as a result of industry consolidation, as well as “pure play” companies that have a single product focus. The competition created by these companies may place downward pressure on operating margins in the combined company’s industry, particularly for technology outsourcing contract extensions or renewals. As a result, the combined company may not be able to maintain CSC’s or Everett’s current operating margins, or achieve favorable operating margins, for technology outsourcing contracts extended or renewed in the future. Any reductions in margins will require the combined company to reduce cost structure. If the combined company fails to effectively reduce cost structure during periods with declining margins, results of operations of the combined company will be adversely affected.

CSC and Everett encounter aggressive competition from numerous and varied competitors. Competitiveness of CSC or Everett is based on factors including technology, innovation, performance, price, quality, reliability, brand, reputation, distribution, range of products and services, ease of use of products, account relationships, customer training, service and support, and security. If the combined company is unable to compete based on such factors, the combined company’s results of operations and business prospects could be harmed.



The combined company will have a large portfolio of products and services and will need to allocate financial, personnel and other resources across all products and services while competing with companies that have smaller portfolios or specialize in one or more of the combined company's product or service lines. As a result, the combined company may invest less in certain business areas than competitors do, and competitors may have greater financial, technical and marketing resources available to them compared to the resources allocated to the combined company's products and services that compete against their products and services. Industry consolidation may also affect competition by creating larger, more homogeneous and potentially stronger competitors in the markets in which the combined company operates. Additionally, competitors may affect the combined company's business by entering into exclusive arrangements with existing or potential customers or suppliers.

Companies with whom CSC or Everett have alliances in certain areas may be or become competitors in other areas. In addition, companies with whom CSC or Everett have alliances also may acquire or form alliances with competitors, which could reduce their business with the combined company. If the combined company is unable to effectively manage these complicated relationships with alliance partners, the combined company's business and results of operations could be adversely affected.

CSC and Everett face aggressive price competition and may have to lower prices of products and services to stay competitive, while simultaneously seeking to maintain or improve revenue and gross margin. In addition, competitors who have a greater presence in some of the lower-cost markets in which CSC and/or Everett compete, or who can obtain better pricing, more favorable contractual terms and conditions or more favorable allocations of products and components during periods of limited supply may be able to offer lower prices than the combined company is able to offer. The combined company's cash flows, results of operations and financial condition may be adversely affected by these and other industry-wide pricing pressures.

***The ability of the combined company to continue to develop and expand service offerings to address emerging business demands and technological trends will impact the future growth of the combined company. If the combined company is not successful in meeting these business challenges, the results of operations and cash flows of the combined company will be materially and adversely affected.***

The ability of the combined company to implement solutions for customers incorporating new developments and improvements in technology that translate into productivity improvements for customers and to develop service offerings that meet current and prospective customers' needs are critical to the success of the combined company. The markets CSC and Everett serve, and the markets the combined company expects to serve, are highly competitive. Competitors of CSC, Everett and the combined company may develop solutions or services that make the offerings of CSC, Everett or the combined company obsolete. The ability of the combined company to develop and implement up to date solutions utilizing new technologies that meet evolving customer needs in cloud, IT outsourcing, consulting, industry software and solutions and application services markets will impact its revenue growth and earnings.

***The combined company will have a substantial amount of indebtedness following the Transactions, which could materially adversely affect its financial condition.***

CSC has a significant amount of indebtedness and its leverage will increase as a result of the Transactions. As of July 1, 2016, CSC had total indebtedness outstanding of approximately \$3.2 billion, and as of July 1, 2016 on a pro forma basis after giving effect to the Transactions, the combined company would have had outstanding indebtedness of \$7.8 billion.

Prior to the closing of the Distribution, Everett intends to enter into the Term Facility and issue the Notes in an aggregate principal amount of approximately \$3.1 billion. The proceeds of the Term Facility will be used to pay the Everett Payment to HPE and the Notes will be issued to HPE and exchanged by HPE for outstanding senior unsecured notes of HPE. The anticipated material terms of the Term Facility and the Notes, based on the

current expectations of Everett, are described in more detail under “Debt Financing.” Depending on market conditions and other factors, the allocation of the Financing between the Term Facility and the Notes may be adjusted.

Following the Transactions, the indebtedness of the combined company and the restrictive covenants contained in, or expected to be contained in the documents evidencing such indebtedness may, among other things:

- limit the ability of the combined company to borrow additional funds for working capital, capital expenditures, investments, acquisitions or other general business purposes;
- limit the ability of the combined company to use its cash flow or obtain additional financing for future working capital, capital expenditures, investments, acquisitions or other general business purposes;
- require the combined company to use a substantial portion of its cash flow from operations to make debt service payments;
- limit the flexibility of the combined company to plan for, or react to, changes in its businesses and industry;
- place the combined company at a competitive disadvantage compared to less leveraged competitors; and
- increase the vulnerability of the combined company to the impact of adverse economic and industry conditions.

***The ability of the combined company to raise additional capital for future needs will impact the combined company’s ability to compete.***

CSC’s credit ratings are, and the combined company’s credit ratings will be, based upon information furnished by CSC or the combined company or obtained by a rating agency from its own sources and are subject to revision, suspension or withdrawal by one or more rating agencies at any time. Rating agencies may review the ratings assigned to the combined company due to developments that are beyond the combined company’s control, including as a result of new standards requiring the agencies to reassess rating practices and methodologies.

If changes in the combined company’s credit ratings were to occur, it could result in higher interest costs under the combined company’s credit facilities. It would also cause the combined company’s borrowing costs to increase and limit the combined company’s access to capital markets. Any downgrades could negatively impact the perception of the combined company by lenders and other third parties. In addition, certain of CSC’s major contracts provide, and certain of the combined company’s major contracts are expected to provide, customers with a right of termination in certain circumstances in the event of a rating downgrade below investment grade.

***Achieving the growth objectives of the combined company may prove unsuccessful. The combined company may be unable to identify future attractive acquisitions and strategic partnerships, which may adversely affect its growth. In addition, the ability of CSC or the combined company to consummate agreements entered into or to integrate acquisitions and implement strategic partnerships may materially and adversely affect profitability if anticipated revenue improvements and cost reductions are not achieved.***

CSC or the combined company may fail to complete strategic transactions. Closing strategic transactions is subject to uncertainties and risks, including the risk that CSC or the combined company will be unable to satisfy conditions to closing such as regulatory and financing conditions and the absence of material adverse changes to CSC’s or the combined company’s business. In addition, CSC’s or the combined company’s inability to successfully integrate the operations acquired and leverage these operations to generate substantial cost savings as well as CSC’s or the combined company’s inability to avoid revenue erosion and earnings decline could have a material adverse effect on the combined company’s results of operations, cash flows and financial position.

In order to achieve successful acquisitions, CSC or the combined company will need to:

- successfully integrate the operations, as well as the accounting, financial controls, management information, technology, human resources and other administrative systems, of acquired businesses with existing operations and systems;
- maintain third-party relationships previously established by acquired companies;
- attract and retain senior management and other key personnel at acquired businesses; and
- successfully manage new business lines, as well as acquisition-related workload.

CSC or the combined company may not be successful in meeting these challenges or any others encountered in connection with historical and future acquisitions. In addition, the anticipated benefits of one or more acquisitions may not be realized and future acquisitions could require dilutive issuances of equity securities and/or the assumption of contingent liabilities. The occurrence of any of these events could adversely affect CSC's or the combined company's business, financial condition and results of operations. For specific risks related to the Transactions, including the Merger with Everett, see "Risk Factors—Risks Related to the Transactions."

CSC has also entered into, and intends to identify and enter into, and expects the combined company to identify and enter into, additional strategic partnerships with other industry participants that will allow CSC or the combined company to expand its business. However, CSC or the combined company may be unable to identify attractive strategic partnership candidates or complete these partnerships on terms favorable to CSC or the combined company. In addition, if CSC or the combined company is unable to successfully implement its partnership strategies or CSC's or the combined company's strategic partners do not fulfill their obligations or otherwise prove advantageous to CSC's or the combined company's business, CSC's or the combined company's investments in these partnerships and CSC's or the combined company's anticipated business expansion could be adversely affected.

***The combined company could suffer additional losses due to asset impairment charges.***

The combined company is expected to have significant amounts of goodwill and intangible assets on its balance sheet. CSC tests, and the combined company is expected to test, goodwill for impairment during the second quarter of every year, and on an interim date should events or changes in circumstances indicate the carrying value of goodwill may not be recoverable in accordance with Accounting Standards Codification ("ASC") 350 "Goodwill and Other Intangible Assets." If the fair value of a reporting unit is revised downward due to declines in business performance or other factors, an impairment under ASC 350 could result and a non-cash charge could be required. CSC tests, and the combined company is expected to test, intangible assets with finite lives for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. This assessment of the recoverability of finite-lived intangible assets could result in an impairment and a non-cash charge could be required.

CSC also tests, and the combined company is expected to test, certain equipment and deferred cost balances associated with contracts when the contract is materially underperforming or is expected to materially underperform in the future, as compared to the original bid model or budget. If the projected cash flows of a particular contract are not adequate to recover the unamortized cost balance of the asset group, the balance is adjusted in the tested period based on the contract's fair value.

Either of these impairments could materially affect the combined company's reported net earnings. CSC will acquire a substantial quantity of goodwill and other intangibles as a result of the Transactions, increasing the combined company's exposure to this risk.

***If the customers of the combined company experience financial difficulties, the combined company may not be able to collect receivables, which would materially and adversely affect the profitability of CSC and/or Everett.***

Over the course of a long-term contract, a customer's financial condition may decline and lower its ability to pay its obligations. This would cause cash collections of the combined company to decrease and bad debt expense to increase. While the combined company may resort to alternative methods to pursue claims or collect receivables, these methods are expensive and time consuming and successful collection is not guaranteed. Failure to collect receivables or prevail on claims would have an adverse effect on the profitability of the combined company.

***If the combined company is unable to accurately estimate the cost of services and the timeline for completion of contracts, the profitability of its contracts may be materially and adversely affected.***

The commercial contracts of CSC and Everett are, and the commercial contracts of the combined company are expected to be, typically awarded on a competitive basis. Bids are based upon, among other items, the expected cost to provide the services. To generate an acceptable return on the investment in these contracts, the combined company must be able to accurately estimate costs to provide the services required by the contract and to complete the contracts in a timely manner. In addition, revenues from some of the contracts of CSC and Everett are, and revenues from some of the contracts of the combined company are expected to be, recognized using the percentage-of-completion method, which requires estimates of total costs at completion, fees earned on the contract, or both. This estimation process, particularly due to the technical nature of the services being performed and the long-term nature of certain contracts, is complex and involves significant judgment. Adjustments to original estimates are often required as work progresses, experience is gained and additional information becomes known, even though the scope of the work required under the contract may not change. If the combined company fails to accurately estimate costs or the time required to complete a contract, the profitability of contracts of the combined company may be materially and adversely affected.

***CSC and Everett are defendants in pending litigation that may have a material and adverse impact on the profitability and liquidity of CSC, Everett or the combined company.***

CSC and Everett are currently party to a number of disputes that involve or may involve litigation. Neither CSC nor Everett is able to predict the ultimate outcome of these disputes or the actual impact of these matters on the profitability of CSC, Everett or the combined company. If CSC, Everett or the combined company agree to settle these matters or judgments are secured against CSC, Everett or the combined company, CSC, Everett or the combined company may incur liabilities that may have a material and adverse impact on the liquidity and earnings of CSC, Everett or the combined company.

***The ability of the combined company to provide customers with competitive services is dependent on the ability of the combined company to attract and retain qualified personnel.***

The ability of the combined company to grow and provide customers with competitive services is partially dependent on the ability of the combined company to attract and retain highly motivated people with the skills necessary to serve their customers. The markets the combined company expects to serve are highly competitive and competition for skilled employees in the technology outsourcing, consulting and systems integration and enterprise services markets is intense for both on-shore and offshore locales. The loss of personnel could impair the ability of the combined company to perform under certain contracts, which could have a material adverse effect on the consolidated financial position, results of operations and cash flows of the combined company.

The combined company will be dependent upon the management skills and continued services of members of its senior management team. The failure of such key personnel to continue to be active in the management of the business could have a material adverse effect on relationships with third parties, business, financial condition and results of operations. In addition, the combined company's failure to attract and retain key personnel would adversely impact its ability to grow the Everett business.

If the combined company does not hire, train, motivate and effectively utilize employees with the right mix of skills and experience in the right geographic regions to meet the needs of its clients, its financial performance could suffer. For example, if its employee utilization rate is too low, the combined company's profitability and the level of engagement of its employees could suffer. If that utilization rate is too high, it could have an adverse effect on employee engagement and attrition and the quality of the work performed, as well as the combined company's ability to staff projects. If the combined company is unable to hire and retain a sufficient number of employees with the skills or backgrounds to meet current demand, the combined company might need to redeploy existing personnel, increase its reliance on subcontractors or increase employee compensation levels, all of which could also negatively affect the combined company's profitability. In addition, if the combined company has more employees than it needs with certain skill sets or in certain geographies, the combined company may incur increased costs as it works to rebalance its supply of skills and resources with client demand in those geographies.

***The international operations of the combined company will be exposed to risks, including fluctuations in exchange rates, which may be beyond the combined company's control.***

Approximately 57% of CSC's fiscal 2016 recognized revenues, and approximately 57% of Everett's fiscal 2015 recognized revenues, were generated outside the United States. The exposure to currencies other than the U.S. dollar may impact the combined company's results as they are expected to be expressed in U.S. dollars. Currency variations also contribute to variations in sales of products and services in affected jurisdictions. For example, in the event that one or more European countries were to replace the euro with another currency, sales in that country or in Europe generally may be adversely affected until stable exchange rates are established. While historically CSC has partially mitigated currency risk, including exposure to fluctuations in currency exchange rates, by matching costs with revenues in a given currency, CSC's exposure to fluctuations in other currencies against the U.S. dollar increases, and the combined company's exposure will increase, as revenue in currencies other than the U.S. dollar increase and as more of the services provided are shifted to lower cost regions of the world. The percentage of combined company revenue denominated in currencies other than the U.S. dollar is expected to represent a significant portion of revenue of the combined company. Also, it is expected that the combined company's ability to match revenue and expenses in a given currency will decrease as more work is performed at offshore locations.

The combined company may use forward contracts and options designated as cash flow hedges to protect against currency exchange rate risks. The effectiveness of these hedges will depend on the combined company's ability to accurately forecast future cash flows, which may be particularly difficult during periods of uncertain demand and highly volatile exchange rates. The combined company may incur significant losses from its hedging activities due to factors such as demand volatility and currency variations. In addition, certain or all of the combined company's hedging activities may be ineffective, may expire and not be renewed or may not offset any or more than a portion of the adverse financial impact resulting from currency variations. Losses associated with hedging activities also may impact the combined company's revenue and to a lesser extent its cost of sales and financial condition.

On June 23, 2016, the United Kingdom ("U.K.") held a referendum in which voters approved an exit from the European Union ("E.U."), commonly referred to as "Brexit." As a result of the referendum, it is expected that the U.K. government will begin negotiating the terms of the U.K.'s future relationship with the E.U. Current uncertainty over whether the U.K. will ultimately leave the E.U., as well as the final outcome of the negotiations between the U.K. and the E.U., may adversely affect the combined company's operations and financial results. In addition, the announcement of Brexit has caused and may continue to cause significant volatility in global stock markets and fluctuations in currency exchange rates.

Future business and financial performance of the combined company could suffer due to a variety of international factors, including:

- ongoing instability or changes in a country's or region's economic or political conditions, including inflation, recession, interest rate fluctuations and actual or anticipated military or political conflicts;



- longer collection cycles and financial instability among customers;
- trade regulations and procedures and actions affecting production, pricing and marketing of products, including policies adopted by countries that may champion or otherwise favor domestic companies and technologies over foreign competitors;
- local labor conditions and regulations;
- managing its geographically dispersed workforce;
- changes in the international, national or local regulatory and legal environments;
- differing technology standards or customer requirements; and
- difficulties associated with repatriating earnings generated or held abroad in a tax-efficient manner, and changes in tax laws.

***The business operations of CSC and Everett are subject to various and changing federal, state, local and foreign laws and regulations that could result in costs or sanctions that adversely affect the business and results of operations of the combined company.***

CSC operates in more than 60 countries and Everett operates in 70 countries. Both CSC and Everett operate in an increasingly complex regulatory environment. For example, CSC provides complex industry specific insurance processing in the UK, which is regulated by authorities in the UK and elsewhere, such as the UK's Financial Conduct Authority and the US Department of Treasury, which increases CSC's exposure to compliance risk. As another example, CSC's retail investment account management business in Germany must maintain a banking license, is regulated by the German Federal Financial Supervisory Authority and the European Central Bank and must comply with German banking laws and regulations.

Business in the countries in which CSC and Everett operate are subject to local, legal and political environments and regulations including with respect to employment, tax, statutory supervision and reporting and trade restriction. These regulations and environments are also subject to change.

Adjusting business operations to changing environments and regulations may be costly and could potentially render the particular business operations uneconomical, which may adversely affect the profitability of the combined company or lead to a change in the business operations.

Notwithstanding the best efforts of the combined company, it may not be in compliance with all regulations in the countries in which it operates at all times and may be subject to sanctions, penalties or fines as a result. These sanctions, penalties or fines may materially and adversely impact the profitability of the combined company.

***The combined company's business and financial performance could suffer if it does not manage the risks associated with Everett's business properly.***

The success of Everett's business is to a significant degree dependent on its ability to retain significant services clients and maintain or increase the level of revenues from these clients. Everett and the combined company may lose clients due to expiration of contracts with clients, client mergers or acquisitions, client business failures, selections by clients of a competing service provider or decisions by clients to in-source services. In addition, Everett and the combined company may not be able to retain or renew relationships with significant clients. As a result of business downturns or for other business reasons, Everett and the combined company are also vulnerable to reduced processing volumes from clients, which can reduce the scope of services provided and the prices for those services. Everett or the combined company may not be able to replace the revenue and earnings from any such lost clients or reductions in services. In addition, Everett is in the process of addressing challenges relating to the market shift to cloud-related IT infrastructure, software and services. Everett

is experiencing commoditization in the IT infrastructure services business market that is placing pressure on traditional ITO pricing and cost structures. There is also an industry-wide shift to highly automated, asset-light delivery of IT infrastructure and applications leading to headcount consolidation. To be successful in addressing these challenges, Everett must execute on its multi-year turnaround plan, which includes a cost reduction initiative to align its costs with its revenue trajectory, a focus on new logo wins and Strategic Enterprise Services (“SES”) and initiatives to improve execution in sales performance and accountability, contracting practices and pricing. If Everett does not succeed in these efforts, or if these efforts are more costly or time-consuming than expected, Everett’s business and results of operations may be adversely affected.

The pricing and other terms of some IT service agreements, particularly long-term IT outsourcing services agreements, require Everett to make, and will require the combined company to make, estimates and assumptions at the time Everett enters into these contracts that could differ from actual results. Any increased or unexpected costs or unanticipated delays in connection with the performance of these engagements, including delays caused by factors outside Everett’s or the combined company’s control, could make these agreements less profitable or unprofitable, which could have an adverse effect on the profit margin of the combined company’s IT services business.

Some IT service agreements require significant investment in the early stages that is expected to be recovered through billings over the life of the agreement. These agreements often involve the construction of new IT systems and communications networks and the development and deployment of new technologies. Substantial performance risk exists in each agreement with these characteristics, and some or all elements of service delivery under these agreements are dependent upon successful completion of the development, construction and deployment phases. Any failure to perform satisfactorily under these agreements may expose the combined company to legal liability, result in the loss of customers and harm the combined company’s reputation, which could harm the financial performance of its IT services business.

Some IT outsourcing services agreements contain pricing provisions that permit a client to request a benchmark study by a mutually acceptable third party. The benchmarking process typically compares the contractual price of services against the price of similar services offered by other specified providers in a peer comparison group, subject to agreed-upon adjustment and normalization factors. Generally, if the benchmarking study shows that the pricing differs from the peer group outside a specified range, and the difference is not due to the unique requirements of the client, then the parties will negotiate in good faith appropriate adjustments to the pricing. This may result in the reduction of rates for the benchmarked services performed after the implementation of those pricing adjustments, which could harm the financial performance of the combined company’s services business.

***The combined company may be exposed to negative publicity and other potential risks if the combined company is unable to achieve and maintain effective internal controls over financial reporting.***

CSC is, and the combined company will be, required under the Sarbanes-Oxley Act of 2002 to include a report of management on internal controls that contains an assessment by management of the effectiveness of internal control over financial reporting. In addition, the public accounting firm auditing CSC’s or the combined company’s financial statements must report on the effectiveness of internal control over financial reporting. In its Form 10-K for the fiscal year ended April 1, 2016, CSC reported a material weakness over the accounting, presentation, and disclosure for income taxes, including the income tax provision and related tax assets and liabilities.

Any failure to maintain effective controls or difficulties encountered in the effective improvement of internal controls, including the remediation of the material weakness in accounting for income tax, could prevent CSC or the combined company from timely and reliably reporting financial results and may harm operating results. In addition, if CSC, or the combined company, as applicable, is unable to conclude that it has effective internal control over financial reporting or, if CSC’s or the combined company’s independent registered public

accounting firm is unable to provide an unqualified report as to the effectiveness of internal control over financial reporting as of each fiscal year end, CSC or the combined company may be exposed to negative publicity, which could cause investors to lose confidence in CSC's or the combined company's reported financial information. Any failure to maintain effective internal controls and any such resulting negative publicity may negatively affect CSC's or the combined company's business and stock price.

Effective internal controls are necessary for the combined company to provide reliable financial reports and effectively prevent fraud. However, a control system, no matter how well conceived and operated can provide only reasonable, not absolute, assurance that the objectives of the control system are met. There can be no assurance that all control issues or fraud will be detected. In connection with the Transactions, and as the combined company continues to grow its business, its internal controls will become more complex, and the combined company will require more resources for internal controls. Additionally, the existence of any material weaknesses or significant deficiencies would require management to devote significant time and incur significant expense to remediate any such material weaknesses or significant deficiencies and management may not be able to remediate any such material weaknesses or significant deficiencies in a timely manner. The existence of any material weakness in the combined company's internal control over financial reporting could also result in errors in its financial statements that could require the combined company to restate its financial statements, cause it to fail to meet its reporting obligations and cause stockholders to lose confidence in its reported financial information, all of which could materially and adversely affect the combined company and the market price of its common stock.

***In the course of providing services to customers, the combined company may inadvertently infringe on the intellectual property rights of others and be exposed to claims for damages.***

The solutions the combined company provides to customers may inadvertently infringe on the intellectual property rights of third parties resulting in claims for damages against the combined company or its customers. The contracts of CSC generally indemnify, and certain contracts of the combined company are expected to indemnify, clients from claims for intellectual property infringement for the services and equipment provided under the applicable contracts. Everett also indemnifies, and the combined company is expected to indemnify, certain vendors and customers against claims of intellectual property infringement made by third parties arising from the use by such vendors and customers of software products and services and certain other matters. Some of the applicable indemnification arrangements may not be subject to maximum loss clauses. The expense and time of defending against these claims may have a material and adverse impact on the profitability of the combined company. Additionally, the publicity resulting from infringing intellectual property rights may damage the reputation of the combined company and adversely impact the ability of the combined company to develop new business.

***Early contract terminations by customers of the combined company may materially and adversely affect the revenues and profitability of the combined company.***

CSC's and Everett's contracts typically contain, and the combined company's contracts are expected typically to contain, provisions under which customers may terminate the contract prior to completion of the term of the contract. These contracts generally allow the customer to terminate the contract for convenience upon providing written notice. If a contract is terminated for convenience, historically CSC and Everett have generally sought, and the combined company is expected generally to seek, either by defined contract schedules or through negotiations, recovery of property, plant, equipment, outsourcing costs, investments, and other intangibles. Contracts of Everett, and the combined company, may also allow a client to terminate the contract for convenience. Contracts at both Everett and CSC contain provisions permitting customers to terminate as a result of the Transactions. There is no assurance that the combined company will be able to fully recover investments if customers elect to terminate under any such circumstances. Further, the combined company may not be able to replace the revenue and earnings from these contracts in the short-term. In the long-term, the reputation of the combined company may be harmed by the publicity generated from contract terminations.



A termination arising out of a default of the combined company may expose the combined company to liability and have a material adverse effect on the combined company's ability to compete for future contracts and orders. Contracts and the services the combined company provides under contracts are often highly complex and may include numerous mutual performance obligations and conditions as well as terms permitting each party to issue default notices unilaterally which, assuming the notices are validated as proper under the contract and the default is not remedied within the applicable cure period, may entitle the non-defaulting party to terminate the contract. During the course of a contractual relationship one or both parties may issue default notices; however, given the nature of the services and the relationships of CSC and Everett with their customers, the CSC and Everett have routinely resolved these issues on commercially reasonable terms. If the combined company is not able to negotiate a commercially reasonable resolution in a particular situation and termination rights are asserted, protracted litigation could ensue.

***Failure to comply with customer contracts or, following consummation of the Transactions, government contracting regulations or requirements, could adversely affect the business and results of operations of the combined company.***

Contracts with customers may include unique and specialized performance requirements. In particular, contracts of Everett with federal, state, provincial and local governmental customers are, and contracts of the combined company with such parties are expected to be, subject to various procurement regulations, contract provisions and other requirements relating to their formation, administration and performance, including the maintenance of necessary security clearances. Contracts with U.S. government agencies are also subject to audits and investigations, which may include a review of performance on contracts, pricing practices, cost structure and compliance with applicable laws and regulations.

Any failure by the combined company to comply with the specific provisions in customer contracts or any violation of government contracting regulations or other requirements could result in the imposition of various civil and criminal penalties, which may include termination of contracts, forfeiture of profits, suspension of payments and, in the case of government contracts, fines and suspension from future government contracting. Such failures could also cause reputational damage to the business of the combined company. In addition, the combined company may be subject to qui tam litigation brought by private individuals on behalf of the government relating to government contracts, which could include claims for treble damages. Further, any negative publicity related to customer contracts or any proceedings surrounding them, regardless of accuracy, may damage the combined company's business by harming the ability to compete for new contracts.

Contracts with the U.S. federal government and related agencies are also subject to issues with respect to federal budgetary and spending limits or matters. Any changes to the fiscal policies of the U.S. federal government may decrease overall government funding, result in delays in the procurement of products and services due to lack of funding, cause the U.S. federal government and government agencies to reduce their purchases under existing contracts, or cause them to exercise their rights to terminate contracts at-will or to abstain from exercising options to renew contracts, any of which would have an adverse effect on the combined company's business, financial condition, results of operations and/or cash flows.

If customer contracts of the combined company are terminated, if the combined company is suspended or disbarred from government work, or if the combined company's ability to compete for new contracts is adversely affected, financial performance of the combined company could suffer.

***The separation agreements that CSC and Everett have entered into limit CSC's and/or Everett's ability to engage in certain competitive activities.***

The Separation Agreement includes non-compete provisions pursuant to which Everett and HPE generally agree to not compete in certain product and service categories for two years following the Distribution subject to certain exceptions set forth in the Separation Agreement. See "The Transaction Agreements—The Separation

and Distribution Agreement—Non-Competition.” CSC is a party to a Master Separation and Distribution Agreement with CSRA that generally restricts CSC and its controlled affiliates (but not parties that control or are under common control with CSC) from engaging in certain activities in relation to U.S. federal and certain state and local government customers until November 27, 2017. HPE is party to a Separation and Distribution Agreement with HP, Inc. that restricts HPE as well as Everett from engaging in certain activities that compete with HP, Inc. until October 31, 2018. The foregoing restrictions may limit CSC’s and/or Everett’s ability to engage in certain activities, may potentially lead to disputes and may materially and adversely affect the business, financial condition and results of operations of Everett and/or CSC.

***Performance under contracts, including where the combined company has partnered with third parties, may be adversely affected if the combined company or the third parties fail to deliver on commitments.***

CSC and Everett’s contracts are, and the combined company’s contracts are expected to be, complex and, in some instances, may require that the combined company partner with other parties, including software and hardware vendors, to provide the complex solutions required by its customers. The ability of the combined company to deliver the solutions and provide the services required by the combined company’s customers will be dependent on the abilities of the combined company and its partners to meet customers’ delivery schedules. If the combined company or its partners fail to deliver services or products on time, the ability of the combined company to complete the contract may be adversely affected, which may have a material and adverse impact on the combined company’s revenue and profitability.

***The ability of the combined company to compete in certain markets will be dependent on the ability of the combined company to continue to expand capacity in certain offshore locations. However, as the presence of the combined company in these locations increases, the combined company will be exposed to risks inherent to these locations which may adversely affect its revenue and profitability.***

A significant portion of CSC’s application outsourcing and software development activities have been shifted to India, and CSC, Everett and the combined company are planned to continue to expand presence there and in other lower cost locations. As a result, the combined company will be exposed to the risks inherent to operating in India including (1) a highly competitive labor market for skilled workers which may result in significant increases in labor costs as well as shortages of qualified workers in the future, and (2) the possibility that the U.S. federal government or the European Union may enact legislation that provides significant disincentives for customers to locate certain of their operations offshore which would reduce the demand for the services combined company provides in India and may adversely impact the combined company’s cost structure and profitability. In addition, India has experienced civil unrest and acts of terrorism and has been involved in confrontations with Pakistan. If India continues to experience this civil unrest or if its conflicts with Pakistan escalate, the combined company operations in India could be adversely affected.

The Foreign Corrupt Practices Act (“FCPA”) and similar anti-bribery laws in other jurisdictions prohibit U.S.-based companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. The combined company is expected to pursue opportunities in certain parts of the world that experience government corruption, and in certain circumstances, compliance with anti-bribery laws may conflict with local customs and practices. CSC’s internal policies mandate, and the combined company’s internal policies will mandate, compliance with all applicable anti-bribery laws. CSC requires, and the combined company will require, employees, partners, subcontractors, agents and others to comply with the FCPA and other anti-bribery laws. There is no assurance that these policies or procedures will protect the combined company against liability under the FCPA or other laws for actions taken by agents, employees and intermediaries of the combined company. If the combined company is found to be liable for FCPA violations (either due to its own acts or omissions, or due to the acts or omissions of others), the combined company could suffer from severe criminal or civil penalties or other sanctions, which could have a material adverse effect on the combined company’s reputation, business, results of operations or cash flows. In addition, detecting, investigating and resolving actual or alleged violations of the FCPA or other anti-bribery violations is expensive and could consume significant time and attention of the combined company’s senior management.

***Security breaches, cyberattacks or service interruptions could expose the combined company to liability or impair the reputation of the combined company, which could cause significant financial loss.***

As providers of information technology services to private and public sector customers operating in a number of regulated industries and countries, CSC and Everett store and process, and the combined company is expected to store and process, increasingly large amounts of data for clients, including sensitive and personally identifiable information. At the same time, the continued occurrence of high-profile data breaches provides evidence of an external environment increasingly hostile to information security. CSC and Everett rely, and the combined company is expected to rely, on internal and external information and technological systems to manage operations, which exposes CSC and Everett, and will expose the combined company, to risk of loss resulting from breaches in the security or other failures of these systems. CSC and Everett collect and store, and the combined company is expected to collect and store, certain personal and financial information from customers and employees. Security breaches, or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about the combined company, its clients or its customers, could expose the combined company to a risk of loss of this information, regulatory scrutiny, actions and penalties, extensive contractual liability litigation, reputational harm, and a loss of customer confidence that could potentially have an adverse impact on future business with current and potential customers.

Experienced computer programmers and hackers may be able to penetrate the combined company's network security and misappropriate or compromise the combined company's confidential information or that of third parties, create system disruptions or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms and other malicious software programs that attack the combined company's products or otherwise exploit any security vulnerabilities of these products. In addition, sophisticated hardware and operating system software and applications produced or procured from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of the system. The costs to eliminate or alleviate cyber or other security problems, including bugs, viruses, worms, malicious software programs and other security vulnerabilities, could be significant, and the combined company's efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service and loss of existing or potential customers that may impede the combined company's sales, manufacturing, distribution or other critical functions

Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments may result in a compromise or breach of the algorithms that the combined company will use to protect sensitive customer transaction data. A party who is able to circumvent security measures of the combined company could misappropriate proprietary information or cause interruption in the operations of the combined company. CSC and Everett are, and the combined company will be, required to expend capital and other resources to protect against attempted security breaches or cyber-attacks or to alleviate problems caused by successful breaches or attacks. The security measures of CSC are, and the security measures of the combined company will be, designed to identify and protect against security breaches and cyber attacks, and no threat incident identified to date has resulted in a material adverse effect on CSC or CSC's customers. However, the failure of the combined company to detect, prevent or adequately respond to a future threat incident could subject the combined company to liability and reputational damage and have a material adverse effect on the business of the combined company.

Increasing data privacy and information security obligations could also impose additional regulatory pressures on the businesses of the combined company's customers, and indirectly, on operations of the combined company. In response, some of CSC's customers have sought, and to the combined company's customers may seek, to contractually impose certain strict data privacy and information security obligations, and some of these customer contracts may not limit CSC's or the combined company's liability for the loss of confidential information. If the combined company is unable to adequately address these concerns, the combined company's business and results of operations could suffer. Compliance with new privacy and security laws, requirements and regulations, where required or undertaken by the combined company, may result in cost increases due to potential systems changes, the

development of additional administrative processes and increased enforcement actions, fines and penalties. While CSC strives to comply, and the combined company will strive to comply, with all applicable data protection laws and regulations as well as internal posted privacy policies, any failure or perceived failure to comply or any misappropriation, loss or other unauthorized disclosure of sensitive or confidential information may result in proceedings or actions against the combined company by government or other entities, private lawsuits against the combined company including class actions or the loss of customers, which could potentially have an adverse effect on the business, reputation and results of operations of the combined company.

Portions of the combined company's infrastructure also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. The combined company may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be more expensive, time-consuming, disruptive and resource intensive. Such disruptions could adversely impact the combined company's ability to fulfill orders and respond to customer requests and interrupt other processes. Delayed sales, lower margins or lost customers resulting from these disruptions could reduce the combined company's revenue, increase its expenses, damage its reputation and adversely affect its stock price.

***Changes in tax rates could affect the results of the combined company.***

The combined company's effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or by changes in tax laws or their interpretation. CSC is, and the combined company is expected to be, subject to the continuous examination of its income tax returns by the IRS and other tax authorities. CSC regularly assesses, and the combined company will continue to assess, the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of its provision for taxes. There can be no assurance that the outcomes from these examinations will not have a material adverse effect on the financial condition and operating results of the combined company.

***The combined company may be adversely affected by disruptions in the credit markets, including disruptions that reduce customers' access to credit and increase the costs to customers of obtaining credit.***

The credit markets have historically been volatile and therefore it is not possible to predict the ability of the combined company's clients and customers to access short-term financing and other forms of capital. If a disruption in the credit markets were to occur, the combined company could be unable to refinance its outstanding indebtedness on reasonable terms or at all. Such a disruption could also pose a risk to the combined company's business if customers or suppliers are unable to obtain financing to meet payment or delivery obligations to the combined company. In addition, customers may decide to downsize, defer or cancel contracts which could negatively affect revenue of the combined company.

Further, the combined company would have had \$2.4 billion of floating rate debt as of July 1, 2016 on a pro forma basis giving effect to the Transaction and the Financing. A one percentage point increase in the average interest rate of this debt would increase the combined interest expense by approximately \$22 million per year. Accordingly, a spike in interest rate would adversely affect the combined company's results of operations and cash flows.

***The combined company's hedging program will be subject to counterparty default risk.***

CSC enters into, and the combined company is expected to enter into, foreign currency forward contracts and options and interest rate swaps with a number of counterparties. As a result, the combined company will be subject to the risk that the counterparty to one or more of these contracts defaults on its performance under the contract. During an economic downturn, the counterparty's financial condition may deteriorate rapidly and with little notice and the combined company may be unable to take action to protect its exposure. In the event of a

counterparty default, the combined company could incur significant losses, which may harm the business and financial condition of the combined company. In the event that one or more of the combined company's counterparties becomes insolvent or files for bankruptcy, the combined company's ability to eventually recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty.

***CSC and Everett derive, and the combined company is expected to derive, significant revenue and profit from contracts awarded through competitive bidding processes, which can impose substantial costs on the bidder, and the combined company will not achieve revenue and profit objectives if it fails to bid on these projects effectively.***

CSC and Everett derive, and the combined company is expected to derive, significant revenue and profit from government contracts that are awarded through competitive bidding processes. It is expected that most of the non-U.S. government business the combined company seek in the foreseeable future will be awarded through competitive bidding. Competitive bidding is expensive and presents a number of risks, including:

- the substantial cost and managerial time and effort that the combined company spends to prepare bids and proposals for contracts that may or may not be awarded to the combined company;
- the need to estimate accurately the resources and costs that will be required to service any contracts the combined company is awarded, sometimes in advance of the final determination of their full scope and design;
- the expense and delay that may arise if competitors of the combined company protest or challenge awards made to the combined company pursuant to competitive bidding;
- the requirement to resubmit bids protested by competitors of the combined company, and the termination, reduction, or modification of the awarded contracts; and
- the opportunity cost of not bidding on and winning other contracts the combined company might otherwise pursue.

***Catastrophic events or climate conditions may disrupt the business of the combined company.***

The customers of CSC and Everett are, and the customers of the combined company will be, subject to various federal, state, local and foreign government requirements relating to the protection of the environment. Revenues and results of operations of the combined company may be adversely affected by the passage of climate change and other environmental legislation and regulations. For example, new legislation or regulations may result in increased costs directly, to the extent the combined company incurs incremental compliance costs, or indirectly, to the extent that new requirements lead to increases in prices charged to the combined company by vendors because of their own increased compliance costs. At this point, it is not possible to determine the impact that climate change and other environmental legislation and regulations could have on the overall business of the combined company.

In addition the operations of the combined company could be disrupted by earthquakes, telecommunications failures, power or water shortages, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics or pandemics and other natural or manmade disasters or catastrophic events. In addition, terrorist acts, conflicts or wars (wherever located around the world) may cause damage or disruption to the combined company's business, employees, facilities, partners, suppliers, distributors, resellers or customers or adversely affect the combined company's ability to manage logistics or conduct certain other critical business operations. The potential for future attacks, the national and international responses to attacks or perceived threats to national security, and other actual or potential conflicts or wars have created many economic and political uncertainties. In addition, as a multinational company with headquarters and significant operations located in the United States, actions against or by the United States may impact the combined company's business or employees. The occurrence of any of these business disruptions could result in significant losses,



seriously harm the combined company's revenue, profitability and financial condition, adversely affect its competitive position, increase costs and expenses, and require substantial expenditures and recovery time in order to fully resume operations.

***The CSRA Separation could result in significant tax liabilities to CSC and CSC stockholders that received CSRA stock in the CSRA Separation.***

In connection with the CSRA Separation, CSC received an opinion of counsel substantially to the effect that, for U.S. federal income tax purposes, the CSRA Separation qualified as a tax-free transaction to CSC and holders of CSC common stock under Section 355 and related provisions of the Code. If, notwithstanding the conclusions expressed in that opinion, the CSRA Separation were determined to be taxable, CSC and CSC stockholders that received CSRA stock in the CSRA Separation could incur significant tax liabilities.

Under Section 355(e) of the Code, the CSRA Separation would generally be taxable to CSC (but not to CSC stockholders) if one or more persons acquire a 50% or greater interest (measured by vote or value) in the stock of CSC, directly or indirectly (including through acquisition of the combined company's stock after the completion of the Transactions), as part of a plan or series of related transactions that includes the CSRA Separation. In general, an acquisition will be presumed to be part of a plan with the CSRA Separation if the acquisition occurs within two years before or after the CSRA Separation. This presumption may, however, be rebutted based upon an analysis of the facts and circumstances related to the CSRA Separation and the particular acquisition in question.

The completion of the Transactions is conditioned upon the receipt by CSC of an opinion of counsel to the effect that the Merger should not cause Section 355(e) of the Code to apply to the CSRA Separation or otherwise affect the qualification of the CSRA Separation as a tax-free distribution under Section 355 of the Code (the "CSRA Separation Tax Opinion"). The CSRA Separation Tax Opinion will be based on current law and will rely upon various factual representations and assumptions, as well as certain undertakings made by CSC. If any of those representations or assumptions is untrue or incomplete in any material respect or any of those undertakings is not complied with, or if the facts upon which the CSRA Separation Tax Opinion is based are materially different from the actual facts that exist at the time of the Merger, the conclusions reached in the CSRA Separation Tax Opinion could be adversely affected and the CSRA Separation may not qualify for tax-free treatment. No assurance can be given that the IRS will not challenge the conclusions set forth in the CSRA Separation Tax Opinion or that a court would not sustain such a challenge. Further, in light of the requirements of Section 355(e) of the Code, the combined company might determine to forgo certain transactions, including share repurchases, stock issuances, certain asset dispositions, mergers, consolidations and other strategic transactions, for some period of time following the Transactions.

***The announcement and pendency of the Merger could adversely affect the business, financial results and operations of CSC and/or Everett.***

The announcement and pendency of the proposed Merger could cause disruptions in and create uncertainty surrounding business of CSC or Everett, including affecting relationships with existing and future customers, suppliers and employees, which could have an adverse effect on the business, financial results and operations of CSC, Everett or the combined company, regardless of whether the proposed Merger is completed. In particular, CSC, Everett or the combined company could also potentially lose customers or suppliers, and new customer or supplier contracts could be delayed or decreased. In addition, CSC and Everett have diverted, and will continue to divert, significant management resources towards the completion of the Merger, which could adversely affect the business and results of operations of CSC, Everett and the combined company.

***Everett will assume certain material pension benefit obligations associated with Everett employees. These liabilities and the related future funding obligations could restrict cash available for operations of the combined company, capital expenditures and other requirements, and may materially adversely affect the financial condition and liquidity of the combined company.***

Pursuant to the Employee Matters Agreement, while HPE or a member of the HPE Group will retain all U.S. defined benefit pension plan liabilities, Everett or a member of the Everett Group will retain all liabilities relating to the International Retirement Guarantee (“IRG”) programs for all Everett Group employees. The IRG is a non-qualified retirement plan for employees who transfer internationally at the request of the HPE Group. The IRG determines the country of guarantee, which is generally the country in which an employee has spent the longest portion of his or her career with the HPE Group, and the present value of a full career benefit for the employee under the HPE defined benefit pension plan and social security or social insurance system in the country of guarantee. The IRG then offsets the present value of the retirement benefits from plans and social insurance systems in the countries in which the employee earned retirement benefits for his or her total period of HPE Group employment. The net benefit value is payable as a single sum as soon as practicable after termination or retirement. This liability could restrict cash available for operations of the combined company, capital expenditures and other requirements, and may materially affect the financial condition and liquidity of the combined company.

In addition, pursuant to the Employee Matters Agreement, Everett will assume certain accrued defined benefit pension liabilities in a number of non-U.S. countries (including the UK, Germany and Switzerland). Unless otherwise agreed or required by local law, where a defined benefit pension plan is maintained solely by a member of the Everett Group, Everett will assume all assets and liabilities arising out of those non-U.S. defined benefit pension plans, and where a defined benefit pension plan is not maintained solely by a member of the Everett Group, Everett will assume all assets and liabilities for those eligible Everett Group employees in connection with the Transactions. These liabilities and the related future payment obligations could restrict cash available for the operations of the combined company, capital expenditures and other requirements, and may materially affect its financial condition and liquidity. Pursuant to the Merger Agreement, as part of the Transactions, HPE will make cash contributions to certain acquired non-U.S. defined benefit pension plans to reduce the net level of liabilities to \$570 million.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

All statements and assumptions contained in this proxy statement/prospectus-information statement and in the documents attached or incorporated by reference that do not directly and exclusively relate to historical facts constitute “forward-looking statements” as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements often include words such as “anticipates,” “believes,” “estimates,” “expects,” “forecast,” “goal” “intends,” “objective,” “plans,” “projects,” “strategy,” “target” and “will” and words and terms of similar substance in connection with discussions of future operating or financial performance. These statements represent current expectations and beliefs, and no assurance can be given that the results described in such statements will be achieved.

Forward-looking statements include, among other things, statements with respect to CSC’s or Everett’s financial condition, results of operations, cash flows, business strategies, operating efficiencies or synergies, competitive position, growth opportunities, plans and objectives of management and other matters. Such statements are subject to numerous assumptions, risks, uncertainties and other factors that could cause actual results to differ materially from those described in such statements, many of which are outside of CSC’s and Everett’s control. Important factors that could cause actual results to differ materially from those described in forward-looking statements include, but are not limited to:

- CSC’s ability to obtain stockholder approval of the plan of merger contemplated by the Merger Agreement necessary to complete the Transactions;
- failure to satisfy conditions to the closing of the Transactions;
- the separation of Everett from HPE and its integration with CSC’s business, operations and culture and the ability to operate as effectively and efficiently as expected, and the combined company’s ability to successfully manage and integrate acquisitions generally;
- the combined company’s ability to realize the synergies and benefits expected to result from the Merger within the anticipated time frame;
- changes in governmental regulations or the adoption of new laws or regulations that may make it more difficult or expensive to operate CSC’s business or Everett before or the combined company’s business after the Merger;
- potential disruption of management’s time and attention from the ongoing business operations of CSC as a result of the Transactions;
- changes in senior management, the loss of key employees or the ability of the combined company to retain and hire key personnel and maintain relationships with key business partners;
- business interruptions in connection with CSC’s or Everett’s technology systems; and
- the competitive pressures faced by the combined company;
- the effects of macroeconomic and geopolitical trends and events;
- the need to manage third-party suppliers and the effective distribution and delivery of the products and services of CSC and Everett;
- the protection of the intellectual property assets of CSC and Everett, including intellectual property licensed from third parties and intellectual property shared with former parent companies;
- risks associated with international operations;
- the development and transition of new products and services and the enhancement of existing products and services to meet customer needs and respond to emerging technological trends;
- the execution and performance of contracts by CSC, Everett and their suppliers, customers, clients and partners;



- the resolution of pending investigations, claims and disputes
- the other factors described under “Risk Factors.”

No assurance can be given that any goal or plan set forth in any forward-looking statement can or will be achieved, and readers are cautioned not to place undue reliance on such statements, which speak only as of the date they are made. Neither CSC, HPE nor Everett undertakes any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date of this proxy statement/prospectus-information statement or to reflect the occurrence of unanticipated events, except as required by law.

## THE CSC SPECIAL MEETING

### General

This proxy statement/prospectus-information statement is being provided to CSC stockholders as part of a solicitation of proxies by the CSC Board of Directors for use at the CSC special meeting. This proxy statement/prospectus-information statement provides CSC stockholders with important information they need to know to be able to vote, or instruct their brokers or other nominees to vote, at the CSC special meeting.

### Date, Time and Place

The CSC special meeting will be held on \_\_\_\_\_, \_\_\_\_\_ at \_\_\_\_\_ Eastern time.

### Matters for Consideration

At the special meeting, CSC stockholders will be asked to vote on the following proposals:

- (1) a proposal to approve the plan of merger contemplated by the Merger Agreement;
- (2) a proposal to approve, by an advisory vote, the compensation of CSC's named executive officers, which is referred to as the "Merger-related compensation proposal"; and
- (3) a proposal to approve the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the plan of merger contemplated by the Merger Agreement, which is referred to as the "meeting adjournment proposal."

**Completion of the Merger is conditioned on approval by CSC stockholders of the plan of merger contemplated by the Merger Agreement, but is not conditioned on the approval of the Merger-related compensation proposal or the meeting adjournment proposal.**

**THE CSC BOARD OF DIRECTORS HAS UNANIMOUSLY ADOPTED THE MERGER AGREEMENT AND RECOMMENDS THAT CSC STOCKHOLDERS VOTE FOR THE PLAN OF MERGER CONTEMPLATED BY THE MERGER AGREEMENT.**

**THE CSC BOARD OF DIRECTORS ALSO UNANIMOUSLY RECOMMENDS THAT CSC STOCKHOLDERS VOTE FOR THE MERGER-RELATED COMPENSATION PROPOSAL AND THE MEETING ADJOURNMENT PROPOSAL.**

### Record Date; Voting Information

The record date for the special meeting is \_\_\_\_\_. Only holders of record of CSC common stock at the close of business on the record date will be entitled to notice of, and to vote at, the special meeting or any adjournment or postponement thereof. As of the record date, approximately \_\_\_\_\_ shares of CSC common stock were issued and outstanding and entitled to notice of, and to vote at, the special meeting, and there were approximately \_\_\_\_\_ holders of record of CSC common stock. Each share of CSC common stock shall entitle the holder to one vote on each of the proposals to be considered at the special meeting.

If you are a record holder of CSC common stock on the record date, you may vote your shares of CSC common stock electronically at the special meeting or by proxy as described below under "Voting by Proxy."

### Quorum

The holders of a majority of the issued and outstanding common stock of CSC present either in person or by proxy at the special meeting will constitute a quorum. Proxies received but marked as abstentions and broker

non-votes will be included in the calculation of the number of shares considered to be present at the special meeting for purposes of determining if a quorum is present. If a quorum is not present or if there are not sufficient votes for the approval of the plan of merger contemplated by the Merger Agreement, CSC expects to, and if reasonably requested by HPE will, adjourn or postpone the CSC special meeting to solicit additional proxies, subject to approval of the meeting adjournment proposal by the affirmative vote of the holders of a majority of the shares of CSC common stock present in person or represented by proxy at the CSC special meeting. At any subsequent reconvening of the CSC special meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the CSC special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent meeting.

### **Required Vote**

CSC stockholders of record on the record date for the CSC special meeting may vote “FOR” or “AGAINST,” or may abstain from voting, on the proposal to approve the plan of merger contemplated by the Merger Agreement. Consummation of the Transactions requires the approval of the plan of merger contemplated by the Merger Agreement.

In accordance with Chapter 92A of the Nevada Revised Statutes (the “Nevada Corporation Law”), the approval by CSC stockholders of the plan of merger contemplated by the Merger Agreement requires the affirmative vote of a majority of the shares of CSC common stock entitled to vote thereon. If you abstain, it will have the same effect as a vote “AGAINST” the proposal to approve the plan of merger contemplated by the Merger Agreement.

The approval of the Merger-related compensation proposal requires the affirmative vote of a majority of the holders of a majority of the shares of CSC common stock present in person or represented by proxy at a special meeting at which a quorum is present and entitled to vote thereon. If you abstain, it will have the same effect as an advisory vote “AGAINST” certain Merger-related compensation of CSC’s named executive officers. This advisory vote on the Merger-related compensation of CSC’s named executive officers is non-binding on the CSC Board of Directors.

The approval of the meeting adjournment proposal requires the affirmative vote of the holders of a majority of the shares of CSC common stock present in person or represented by proxy at the special meeting, regardless of whether a quorum is present. Therefore, if you abstain, it will have the same effect as a vote “AGAINST” the adoption of the meeting adjournment proposal and if you fail to vote, it will only affect the outcome of the proposal if you are present in person or represented by proxy at the special meeting.

### **Voting by Proxy**

If you were a record holder of CSC common stock at the close of business on the record date of the special meeting, a proxy card is enclosed for your use. CSC requests that you submit your proxy to vote your shares as promptly as possible by (i) accessing the internet site listed on the proxy card, (ii) calling the toll-free number listed on the proxy card or (iii) submitting your proxy card by mail by using the provided self-addressed, stamped envelope. Information and applicable deadlines for voting through the internet or by telephone are set forth on the enclosed proxy card. When the accompanying proxy is returned properly executed, the shares of CSC common stock represented by it will be voted at the special meeting or any adjournment or postponement thereof in accordance with the instructions contained in the proxy card. Your internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you had marked, signed and returned a proxy card.

If a proxy is returned without an indication as to how the shares of CSC common stock represented are to be voted with regard to a particular proposal, the CSC common stock represented by the proxy will be voted in accordance with the recommendation of the CSC Board of Directors and, therefore, “FOR” the proposal to approve the plan of merger contemplated by the Merger Agreement, “FOR” the Merger-related compensation proposal and “FOR” the meeting adjournment proposal.

At the date hereof, the CSC Board of Directors has no knowledge of any business that will be presented for consideration at the special meeting and that would be required to be set forth in this proxy statement/prospectus-information statement or the related proxy card other than the matters set forth in the Notice of Special Meeting of Stockholders. If any other matter is properly presented at the special meeting for consideration, it is intended that the persons named in the enclosed form of proxy and acting thereunder will vote in accordance with their best judgment on such matter.

If your broker, bank or other nominee holds your shares of CSC common stock in street name, you must either direct your nominee on how to vote your shares or obtain a proxy from your nominee to vote electronically at the special meeting. Please check the voting form used by your nominee for information on how to submit your instructions to them.

If you participate in the CSC Matched Asset Plan (“MAP”), you will receive a voting instruction form for all shares you may vote under the plan. Under the terms of the MAP, the MAP trustee votes all shares held in the CSC Stock Fund, but each participant in the MAP may direct the trustee how to vote the shares of CSC common stock allocated to his or her account. The MAP trustee will vote all unallocated shares of common stock held by the MAP and all allocated shares for which no timely voting instructions are received in the same proportion as shares for which it has received valid voting instructions. Regardless of which voting method you use, the deadline for returning your voting instructions to the MAP trustee is 11:59 p.m. Eastern Time on .

**Your vote is important. Accordingly, if you were a record holder of CSC common stock on the record date of the special meeting, please sign and return the enclosed proxy card or vote via the internet or telephone whether or not you plan to attend the special meeting in person. Proxies submitted through the specified internet website or by phone must be received by 11:59 p.m., Eastern Time, on .**

### **Revocation of Proxies**

If you are the record holder of CSC common stock, you can change your vote or revoke your proxy at any time before your proxy is voted at the special meeting. You can do this by:

- (a) timely delivering a signed written notice of revocation;
- (b) timely delivering a new, valid proxy bearing a later date (including by telephone or through the internet); or
- (c) attending the CSC special meeting in person and voting electronically, which will automatically cancel any proxy previously given, or revoking your proxy in person. Simply attending the special meeting without voting will not revoke any proxy that you have previously given or change your vote.

A registered CSC stockholder may revoke a proxy by any of these methods, regardless of the method used to deliver the stockholder’s previous proxy.

Written notices of revocation and other communications with respect to the revocation of proxies should be addressed as follows:

Computer Sciences Corporation  
1775 Tysons Boulevard  
Tysons, Virginia, 22102  
Attention: Company Secretary

If your shares are held in street name through a broker, bank or other nominee, you may change your vote by submitting new voting instructions to your broker, bank or nominee in accordance with its established procedures. If your shares are held in the name of a broker, bank or other nominee and you decide to change your

vote by attending the special meeting in person and voting electronically, your vote electronically at the special meeting will not be effective unless you have obtained and present an executed proxy issued in your name from the record holder (your broker, bank or nominee).

### **Voting by CSC Directors and Executive Officers**

At the close of business on the record date of the special meeting, CSC directors and executive officers were entitled to vote approximately % of the shares of CSC common stock outstanding on the record date.

No vote of HPE stockholders is required in connection with the Transactions, and the only vote required with respect to Everett is by HPE as its sole stockholder, which stockholder approval was obtained on . No directors, executive officers or affiliates of Everett or HPE will have voting rights in connection with the Transactions with respect to their ownership of any HPE common stock or Everett common stock.

### **Solicitation of Proxies**

CSC is soliciting proxies for the special meeting and will bear all expenses in connection with solicitation of proxies, except that expenses incurred in connection with the printing and mailing of this proxy statement/prospectus-information statement will be shared equally by CSC and HPE. Upon request, CSC will pay banks, brokers, nominees, fiduciaries or other custodians their reasonable out-of-pocket expenses for sending proxy materials to, and obtaining instructions from, persons for whom they hold shares. CSC expects to solicit proxies primarily by mail, but directors, officers and other employees of CSC may also solicit in person or by internet, telephone or mail.

### **Other Matters**

As of the date of this proxy statement/prospectus-information statement, the CSC Board of Directors knows of no other matters that will be presented for consideration at the special meeting other than as described in this proxy statement/prospectus-information statement. If any other matters properly come before the special meeting of CSC stockholders, or any adjournments or postponements of the special meeting, and are properly voted upon, the enclosed proxies will give the individuals that CSC stockholders name as proxies therein discretionary authority to vote the shares represented by these proxies as to any of these matters; provided, however, that those individuals will only exercise this discretionary authority with respect to matters that were unknown a reasonable time before the solicitation of proxies.

**Transfer Agent**

CSC stockholders should contact the transfer agent, at the phone number or address listed below, if they have questions concerning transfer of ownership or other matters pertaining to their stock accounts.

Regular mail:  
Computershare Inc.  
P.O. Box 30170  
College Station, TX 77842

First class, registered and certified mail:  
Computershare Inc.  
211 Quality Circle  
Suite 210  
College Station, TX 77845

[www.computershare.com/investor](http://www.computershare.com/investor)

By phone:  
1.800.676.0654 (U.S. Domestic)  
1.201.680.6578 (International)

## THE TRANSACTIONS

### Overview

On May 24, 2016, HPE and CSC announced that they had entered into the Merger Agreement, and that HPE and Everett had entered into the Separation Agreement. On November 2, 2016, HPE and CSC announced that they, along with Everett and Merger Sub, had amended both the Merger Agreement and the Separation Agreement.

The actual total value of the consideration to be paid by Everett in connection with the Merger will depend on the trading price for shares of Everett common stock following the Merger. There is no trading market for shares of Everett common stock.

In order to effect the Separation, the Distribution and the Merger, CSC, HPE, Everett and Merger Sub entered into a number of agreements, including the Merger Agreement and the Separation Agreement. These agreements, which are described in greater detail in this proxy statement/prospectus-information statement, provide for (1) the separation of the Everett business from HPE's other businesses, (2) the distribution of book-entry authorizations for all of the shares of Everett common stock to a distribution agent to be distributed to HPE stockholders of record on the record date for the Distribution (which stockholders are entitled to a pro rata distribution of such shares in the Distribution and the payment of cash in lieu of fractional shares of such Everett common stock), (3) the merger of CSC with Merger Sub, with CSC continuing as the surviving corporation of the Merger and a wholly-owned subsidiary of Everett and (4) the automatic conversion of shares of CSC common stock into shares of Everett common stock in the Merger, the distribution of book entry authorizations for such shares of Everett common stock to CSC stockholders entitled to shares of Everett common stock in the Merger and the payment of cash in lieu of fractional shares of such Everett common stock.

### Transaction Sequence

#### *Step 1 Separation*

Prior to the Distribution and the Merger, HPE will convey to Everett or one or more subsidiaries of Everett certain assets and liabilities constituting the Enterprise Services business, and will cause any applicable subsidiary of HPE to convey to HPE or its designated subsidiary (other than Everett or any of Everett's subsidiaries) certain excluded assets and excluded liabilities in order to separate and consolidate the Enterprise Services business.

#### *Step 2 Issuance of Everett Common Stock to HPE, Incurrence of Everett Debt and Everett Cash Payment*

On or about the closing date of the Merger, Everett will incur new indebtedness in an aggregate principal amount of approximately \$3.1 billion. In addition, immediately prior to the Distribution, Everett expects to issue to HPE the Everett Debt. HPE expects to transfer the Everett Debt on or about the date of the Distribution to investment banks and/or commercial banks in exchange for existing HPE debt. The Everett Debt is expected to be subsequently sold to third-party investors as described below under "Debt Financing." As a result, HPE expects to receive approximately \$3.1 billion from the Everett Payment and the Debt Exchange.

Immediately prior to the Distribution, Everett will also issue to HPE additional shares of Everett common stock. Following this issuance, HPE will own shares of Everett common stock in an amount equal to the Everett Share Number, which will constitute all of the outstanding stock of Everett.

#### *Step 3 Distribution*

HPE will effect the Distribution by distributing on a pro rata basis all of the shares of Everett common stock it holds to HPE stockholders entitled to shares of Everett common stock in the Distribution as of the record date

of the Distribution. HPE will deliver the shares of Everett common stock in book-entry form to the distribution agent, who will distribute such shares to HPE stockholders. The Merger Agreement provides that after the Distribution but before the Merger, the number of outstanding shares of Everett common stock will not exceed the Everett Share Number.

The number of outstanding shares of Everett common stock issued in the Distribution is subject to a true-up mechanism that will only apply if the percentage of outstanding shares of Everett common stock after the Merger that constitute Qualified Everett Common Stock would be less than 50.1% of all outstanding Everett common stock after the Merger, in which case the number of outstanding shares of Everett common stock issued in the Distribution would be increased such that HPE stockholders would receive Qualified Everett Common Stock that would represent 50.1% of the outstanding shares of Everett common stock after the Merger.

#### ***Step 4 Incurrence of Everett Debt***

Prior to the closing of the Distribution, Everett intends to enter into the Term Facility and issue the Notes in an aggregate principal amount of approximately \$3.1 billion. The proceeds of the Term Facility will be used to pay the Everett Payment to HPE and the Notes will be issued to HPE and exchanged by HPE for outstanding senior unsecured notes of HPE.

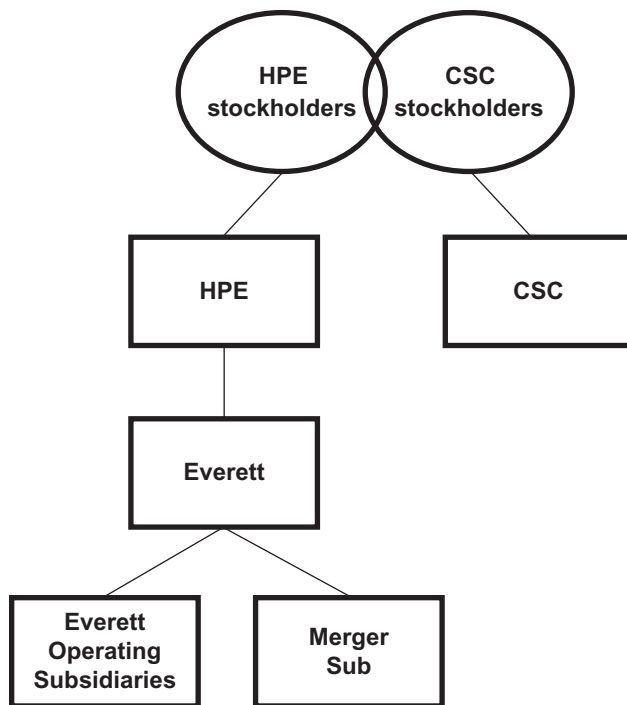
The anticipated material terms of the Term Facility and the Notes, based on the current expectations of Everett, are described in more detail under “Debt Financing.” There can be no assurance that the Term Facility or the Notes will be finalized on similar terms, or at all. Depending on market conditions and other factors, the allocation of the Financing between the Term Facility and the Notes may be adjusted.

#### ***Step 5 Merger***

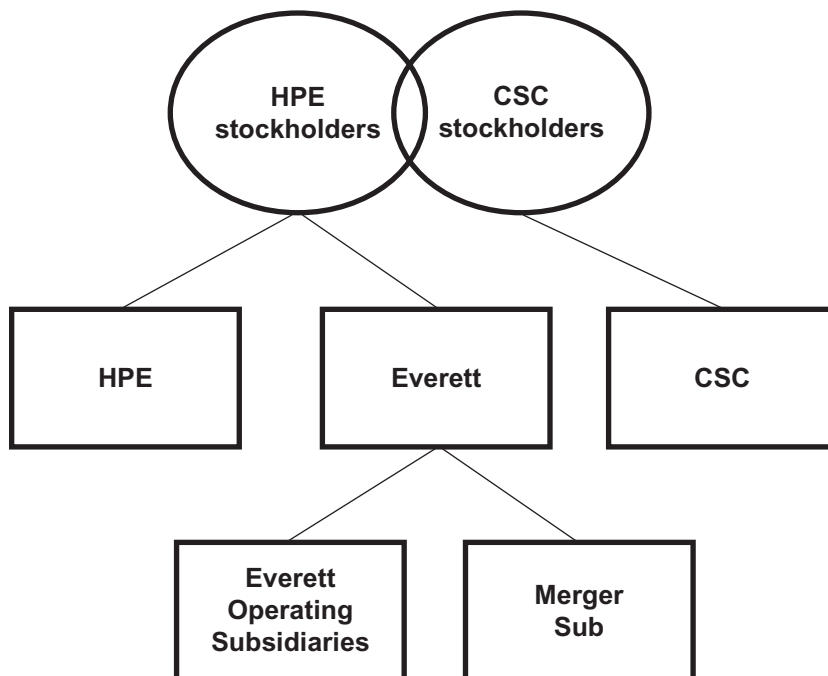
Following the Distribution, CSC will merge with Merger Sub, whereby the separate corporate existence of Merger Sub will cease and CSC will continue as the surviving corporation and as a wholly-owned subsidiary of Everett. In the Merger, each share of CSC common stock will be converted into the right to receive one share of Everett common stock. Immediately after the consummation of the Merger, approximately 50.1% of the outstanding shares of Everett common stock is expected to be held by pre-Merger Everett stockholders and approximately 49.9% of the outstanding shares of Everett common stock is expected to be held by pre-Merger CSC stockholders, in each case excluding any overlaps in the pre-transaction stockholder bases.



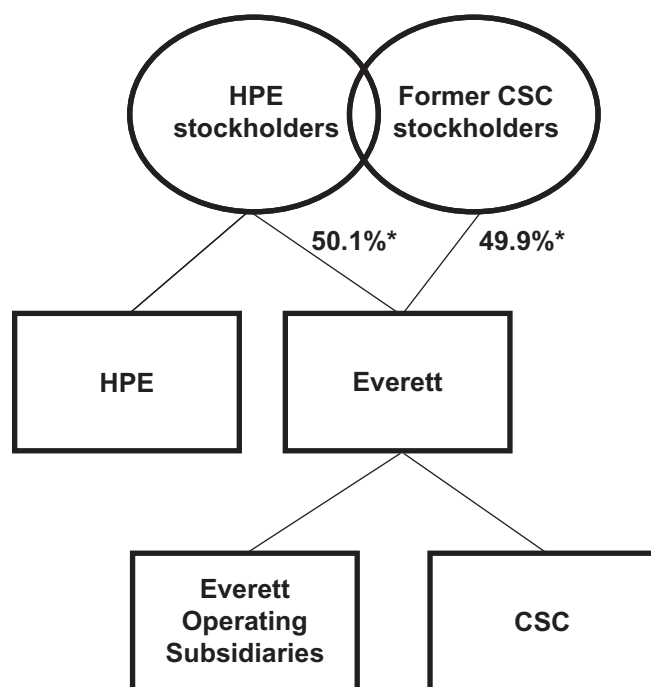
*Existing Structure*



*Structure Following the Separation and the Distribution but Before the Merger*



### *Structure Following the Merger*



\* Excludes overlap

### **Calculation of Merger Consideration**

The Merger Agreement provides that the exchange ratio is equal to one share of Everett common stock for each share of CSC common stock issued and outstanding immediately prior to the effective time of the Merger.

The Merger Agreement provides that after the Distribution but before the Merger, the number of outstanding shares of Everett common stock will not exceed 140,989,904, assuming no true-up adjustment pursuant to the Merger Agreement. See “The Transaction Agreements—The Merger Agreement—Merger Consideration.”

### **Trading Markets**

#### ***HPE Common Stock***

Following the Merger, HPE stockholders will continue to hold their shares of HPE common stock, subject to the same rights as prior to the Separation, the Distribution and the Merger, except that their shares of HPE common stock will represent an interest in HPE that no longer reflects the ownership and operation of the Everett business. Shares of HPE common stock will continue to be traded publicly on the NYSE. HPE stockholders, to the extent they were holders of record on the Distribution Date, will also hold shares of Everett common stock after the Transactions.

### ***Everett Common Stock***

There currently is no trading market for shares of Everett common stock. Everett intends to file an application to list its common stock on the                      under the symbol                      .

### ***CSC Common Stock***

CSC common stock began trading on the NYSE under the ticker symbol “CSC” on November 26, 1968. After the Merger, all outstanding shares of CSC common stock will automatically be canceled and cease to exist at the effective time of the Merger and upon their conversion into shares of Everett common stock.

### **Background of the Merger**

The CSC Board of Directors and the HPE Board of Directors periodically, and in the ordinary course, evaluate and consider a variety of financial and strategic opportunities to enhance stockholder value as part of CSC’s and HPE’s respective long-term business plans. Early in 2015, members of senior management of HPE (then part of Hewlett-Packard Company) and CSC discussed a different potential combination of Hewlett-Packard Company’s enterprise services business with CSC. For various reasons, those discussions were abandoned in April 2015 before any draft documentation was prepared, and no discussions regarding that transaction ever resumed. Subsequent to the abandonment of those discussions, CSC announced its intention to spin off its government services business and later its agreement to merge the government services business with SRA International Inc to form an independent company known as CSRA Inc. HPE continued its separation planning with Hewlett-Packard Company. HPE separated from Hewlett-Packard Company in November 2015, and CSC separated from CSRA in November 2015. During calendar year 2016, each of CSC’s and HPE’s management teams discussed with their respective boards of directors a variety of financial and strategic alternatives and opportunities regarding their respective company’s future growth and strategic development. In the case of HPE, those discussions included alternatives that could maximize stockholder value of its various businesses, including the various components of the Everett business, and transactions that could enhance HPE’s strategic outlook.

In January 2016, at the direction of the HPE Board of Directors, representatives from Goldman Sachs & Company (“GS”), financial advisor to HPE, requested information from CSC regarding CSC’s shareholder base. In late February 2016, at the direction of the HPE Board of Directors, representatives from GS contacted Allen & Overy LLP (“A&O”), legal counsel to CSC, to explore on a preliminary basis the legal constraints involved in considering and structuring a transaction involving CSC and the Everett business. Representatives of Skadden, Arps, Slate, Meagher & Flom LLP, tax advisors to CSC, participated on calls with A&O and GS during March 2016.

On March 29, 2016, at the direction of the HPE Board of Directors, representatives of GS contacted CSC and A&O to propose a meeting among Margaret C. Whitman, HPE’s Chief Executive Officer, and Christopher P. Hsu, HPE’s Executive Vice President and Chief Operating Officer, and J. Michael Lawrie, CSC’s Chairman, President and Chief Executive Officer and Paul N. Saleh, CSC’s Executive Vice President and Chief Financial Officer.

On April 1, 2016, Ms. Whitman and Mr. Hsu met with Messrs. Lawrie and Saleh to discuss potential advantages of a transaction between the companies involving the Everett business. No transaction terms were discussed. In early April 2016, management of HPE and CSC updated their respective boards of directors on the outcome of that meeting and received approval to engage in substantive discussions with a goal of determining if the terms of a mutually beneficial transaction could be negotiated.

Between mid-April and late April 2016, the respective senior managements of HPE and CSC engaged in discussions regarding the terms of a potential transaction.

The CSC Board of Directors met on April 23, 2016, together with CSC management and CSC's legal and financial advisors, to review the status of discussions with HPE. At Mr. Lawrie's request, the CSC Board of Directors also endorsed the participation by Messrs. Rutland and Lawande, directors of CSC, in a meeting with Mr. Hsu as well as Mike Angelakis and Patricia Russo, directors of HPE, to review the potential strategic benefits of a combination of CSC and the Everett business.

Between late April and May 24, 2016, the parties and their respective legal advisors engaged in ongoing negotiations of various definitive transaction documents including a merger agreement, separation agreement and various ancillary agreements. During the same period, the parties and their respective advisors and consultants engaged in mutual due diligence. CSC also negotiated the terms of various financing arrangements with various financial institutions.

The HPE Board of Directors held meetings on April 11, April 25, April 29, May 11 and May 17 at which it reviewed the status of negotiations and results of due diligence and consulted with members of HPE's management and HPE's financial and legal advisors to consider the transaction. The HPE Board of Directors ultimately approved the execution by HPE of definitive transaction documents on May 23, 2016.

The CSC Board of Directors held meetings on April 23, May 6, May 16, May 17, May 23 and May 24, 2016 at which it reviewed with CSC management, together with CSC's legal, financial and other advisors, including representatives of A&O, RBC Capital Markets and McKinsey & Co., the status of negotiations and results of due diligence, provided input on certain contractual considerations and reviewed communications and the likely impact of the proposed transaction on CSC's stockholders, customers, employees and other constituencies. The CSC Board of Directors ultimately approved the execution by CSC of definitive transaction documents on May 24, 2016.

### **CSC's Reasons for the Merger**

In reaching its decision unanimously to approve the Merger Agreement, as well as the transactions contemplated thereby and the Transaction Documents to which CSC is or is to be a party and to adopt the plan of merger contained in the Merger Agreement, and to recommend that CSC stockholders provide the requisite approval, the CSC Board of Directors considered, among other things, the strategic and financial benefits that could be achieved by combining CSC and the Everett business relative to the future prospects of CSC on a stand-alone basis, the relative actual results of operations of CSC and Everett and the net synergies expected to be realized in the combination. The CSC Board of Directors also considered the success of similar transactions as well as the risks and uncertainties associated with the Transactions.

In that process, the CSC Board of Directors considered, among other things, the following factors as generally supporting its unanimous decision to approve the Merger and the Merger Agreement, as well as the transactions contemplated thereby and the other Transaction Documents to which CSC is a party, and to adopt the plan of merger contained in the Merger Agreement and recommend that the CSC stockholders provide the requisite approval.

### ***Strategic Considerations***

- the Merger will result in a combined company with increased scale, operating 85 delivery centers and 95 data centers across 70 countries;

- the strategic combination with Everett is expected to result in a substantial expansion of CSC's addressable opportunities, with more than 5,000 clients in 70 countries, covering every major global region;
- the complementary market access and capabilities of CSC and Everett, including the experience and strong customer relationships that the management and employees of Everett will bring to the combined company in financial services, healthcare and life sciences, transportation, consumer products, and insurance;
- with a collective workforce of approximately 178,000 employees, the size and scale of the combined company will enhance its ability to provide value to its customers through a broader range of resources and expertise to meet their needs; and
- the Merger is expected to create the number one independent, end-to-end IT services firm in the world.

#### ***Financial Considerations***

- the Merger is expected to result in enhanced EBITDA margins and revenue growth opportunities for the combined company with strong free cash flow; and
- the Merger is expected to produce first-year synergies of approximately \$1.0 billion post-closing, with a run rate of \$1.5 billion by the end of year one.

#### ***Transaction Terms and Other Considerations***

- subject to certain limited adjustments, the number of shares of common stock, and the resulting pro forma equity ownership upon consummation of the Merger, to be issued by Everett to CSC stockholders is fixed and will not fluctuate based upon changes in the stock price of CSC or HPE prior to the completion of the Merger;
- the terms of the Merger Agreement, including the merger consideration, were the result of extensive arms'-length negotiations between representatives of CSC and HPE;
- the prospective financial results of Everett (as well as the risks involved in achieving those results), the fit of the business combination with CSC's previously established strategic goals (which include adding capabilities, expanding market access and increasing scale) and the results of CSC's due diligence review of the Everett business;
- immediately following the Merger, the Everett Board of Directors will be expanded to include five directors to be designated by HPE and five directors to be designated by CSC;
- immediately following the Merger, the current executive officers of CSC would continue in their current positions, with additional executive management talent to be gained from management of Everett;
- the Transactions are expected to be approved by regulatory authorities without any significant disruption in the business of CSC or Everett; and
- the Merger Agreement permits the CSC Board of Directors to withdraw or modify its recommendation to the CSC stockholders to approve the plan of merger contemplated by the Merger Agreement and/or to terminate the Merger Agreement in certain circumstances and subject to the payment of a termination fee.

The CSC Board of Directors also considered certain countervailing factors in its deliberations concerning the Merger and the other Transactions, including:

- the inability of CSC to influence the operations of Everett during the potentially significant time period prior to consummating the Transactions;
- the possibility that the increased revenues, earnings and efficiencies expected to result from the Transactions would fail to materialize;
- the challenges inherent in fully and successfully separating the operations of the Everett business from HPE and integrating such business with CSC;
- the potential impact of the restrictions under the Merger Agreement on CSC's ability to take certain actions during the period between execution of the Merger Agreement and the consummation of the Transactions, generally requiring the company to conduct business only in the ordinary course or, if not in the ordinary course, to first seek and obtain HPE's consent (which could delay or prevent CSC from undertaking business opportunities that may arise pending completion of the Transactions);
- the possibility that the public announcement of the Merger Agreement could have an adverse effect on CSC, including effects on CSC's customers, operating results and share price, and CSC's ability to attract and retain key management and personnel;
- the risk that the Transactions and integration may divert management attention and resources away from other strategic opportunities and from operational matters;
- Everett will be dependent on the provision of transition services by HPE for a period of time after completion of the Merger;
- the need for CSC and Everett to incur substantial indebtedness in connection with the Transactions;
- the potential payment of termination fees of up to \$275,000,000 that CSC could be required to make in certain circumstances under the Merger Agreement;
- the restrictions imposed on CSC's ability to take certain corporate actions under the terms of the Tax Matters Agreement among CSC, HPE and Everett, which could reduce its ability to engage in certain future business transactions that might be advantageous;
- the indemnities being provided by Everett under the Separation Agreement, and by Everett or CSC under the Employee Matters Agreement, the Tax Matters Agreement and other ancillary agreements; and
- the possibility that the Transactions may not be consummated and the potential adverse consequences, including substantial costs that would be incurred and potential damage to CSC's reputation, if the Transactions are not completed.

This explanation of the factors considered by the CSC Board of Directors is in part forward-looking in nature and, therefore, should be read in light of the factors discussed in the sections of this proxy statement/prospectus-information statement entitled "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors."

After consideration, on May 24, 2016 and October 27, 2016, the CSC Board of Directors unanimously resolved that the Transactions, including the Merger Agreement and the Merger, are advisable and in the best interests of CSC and its stockholders and approved the Merger Agreement and the other Transaction Documents and the Transactions and adopted the plan of merger contemplated by the Merger Agreement and recommended the approval of the plan of merger contemplated by the Merger Agreement to CSC stockholders.

#### **Opinion of CSC's Financial Advisor**

CSC has retained RBC Capital Markets as CSC's financial advisor in connection with the Original Merger and the Merger. As part of this engagement, the CSC Board of Directors requested that RBC Capital Markets

evaluate the fairness, from a financial point of view, to CSC of the Original Merger Consideration that would have been paid by CSC pursuant to the Original Merger Agreement. At a May 23, 2016 meeting of the CSC Board of Directors held to evaluate the Original Merger, RBC Capital Markets rendered an oral opinion, confirmed by delivery of a written opinion dated May 23, 2016, to the CSC Board of Directors to the effect that, as of that date and based on and subject to the procedures followed, assumptions made, factors considered and qualifications and limitations described in the opinion, the Original Merger Consideration that would have been paid by CSC pursuant to the Original Merger Agreement was fair, from a financial point of view, to CSC. For purposes of RBC Capital Markets' analyses and opinion, the term "Everett Business" refers to the enterprise services business of HPE and its subsidiaries other than HPE's business of providing software and related services that enable and support various aspects of operations for telecommunications providers and the term "Original Merger Consideration" refers to the 139,234,701 shares of CSC common stock, in the aggregate, that would have been issuable by CSC in the Original Merger.

CSC has advised RBC Capital Markets that the terms of the Merger do not in any way alter or otherwise impact the financial terms of the Original Merger, including, without limitation, the pro forma equity ownership in the combined company of the respective holders of CSC common stock and Everett common stock. Based solely on the foregoing, in connection with the execution of the amendment to the Merger Agreement on November 2, 2016, RBC Capital Markets confirmed to CSC that, were it asked to do so on May 23, 2016, it would have been prepared to render an opinion to the CSC Board of Directors to the effect that, as of May 23, 2016 and based on and subject to the procedures followed, assumptions made, factors considered and qualifications and limitations on the review undertaken by RBC Capital Markets in connection with its May 23, 2016 opinion, the merger consideration to be received by holders of CSC common stock pursuant to the Merger would have been fair, from a financial point of view, to such holders. RBC Capital Markets was not requested to, and it did not, update or revise its analyses for market movements, the financial performance or prospects of CSC or Everett or any other circumstances or events occurring after the date of its May 23, 2016 opinion.

The full text of RBC Capital Markets' written opinion, dated May 23, 2016, is attached as Annex A to this proxy statement/prospectus-information statement and is incorporated in this document by reference. The written opinion sets forth, among other things, the procedures followed, assumptions made, factors considered and qualifications and limitations on the review undertaken by RBC Capital Markets in connection with its opinion. The following summary of RBC Capital Markets' opinion is qualified in its entirety by reference to the full text of the opinion. **RBC Capital Markets delivered its opinion to the CSC Board of Directors for the benefit, information and assistance of the CSC Board of Directors (in its capacity as such) in connection with and for purposes of its evaluation of the Original Merger. RBC Capital Markets' opinion addressed only the fairness, from a financial point of view and as of the date of such opinion, to CSC of the Original Merger Consideration (to the extent expressly specified in such opinion) and did not address any other aspect of the Original Merger or any related transactions (including, without limitation, any amendments to the terms and conditions of the Original Merger following the delivery of RBC Capital Market's opinion). RBC Capital Markets' opinion also did not address the underlying business decision of CSC to engage in the Original Merger or any related transactions or the relative merits of the Original Merger or any related transactions compared to any alternative business strategy or transaction that might be available to CSC or in which CSC might engage. RBC Capital Markets does not express any opinion and does not make any recommendation to any stockholder as to how such stockholder should vote or act with respect to any proposal to be voted upon in connection with the Merger, any related transactions or otherwise.**

In connection with its opinion, RBC Capital Markets, among other things:

- reviewed the financial terms of drafts, each dated May 22, 2016, of the Original Merger Agreement and the Separation Agreement;
- reviewed certain publicly available financial and other information, and certain historical operating data, with respect to CSC made available to RBC Capital Markets from published sources and internal records of CSC;



- reviewed certain publicly available financial and other information, and certain historical operating data, with respect to the Everett Business made available to RBC Capital Markets from published sources and internal records of HPE;
- reviewed publicly available financial projections and other estimates and data relating to CSC and the Everett Business prepared by the respective managements of CSC and HPE, including alternative financial projections and other estimates and data relating to the Everett Business prepared by the management of CSC that RBC Capital Markets was directed to utilize in its analyses;
- conducted discussions with members of the senior managements of CSC and HPE with respect to the respective businesses, prospects and financial outlook of CSC and the Everett Business and also held discussions with members of the senior managements of CSC and HPE regarding the strategic rationale and potential cost savings, revenue enhancements and other benefits anticipated by such managements to be realized in the Original Merger and related transactions (collectively, the “synergies”);
- reviewed the reported prices and trading activity for CSC common stock;
- compared certain financial metrics of CSC and the Everett Business with those of selected publicly traded companies in lines of businesses that RBC Capital Markets considered generally relevant in evaluating CSC and the Everett Business; and
- considered other information and performed other studies and analyses as RBC Capital Markets deemed appropriate.

In arriving at its opinion, RBC Capital Markets employed several analytical methodologies and no one method of analysis should be regarded as critical to the overall conclusion reached by RBC Capital Markets. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the value of particular techniques. The overall conclusion reached by RBC Capital Markets was based on all analyses and factors presented, taken as a whole, and also on application of RBC Capital Markets’ experience and judgment. Such conclusion may have involved significant elements of subjective judgment and qualitative analysis. RBC Capital Markets therefore gave no opinion as to the value or merit standing alone of any one or more portions of such analyses or factors.

In rendering its opinion, RBC Capital Markets assumed and relied upon the accuracy and completeness of all information that was reviewed by RBC Capital Markets, including all of the financial, legal, tax, accounting, operating and other information provided to or discussed with RBC Capital Markets by or on behalf of CSC or HPE (including, without limitation, financial statements and related notes), and upon the assurances of the respective managements of CSC and HPE that they were not aware of any relevant information that was omitted or that remained undisclosed to RBC Capital Markets. RBC Capital Markets did not assume responsibility for independently verifying and it did not independently verify such information. RBC Capital Markets also assumed that the financial projections and other estimates and data (including with respect to potential synergies) that RBC Capital Markets was directed to utilize in its analyses were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments as to the future financial performance of, and were a reasonable basis upon which to evaluate, CSC, the Everett Business, the potential synergies and the other matters covered thereby and RBC Capital Markets further assumed that the financial results reflected therein would be realized in the amounts and at the times projected. RBC Capital Markets expressed no opinion as to any such financial projections and other estimates and data (including with respect to potential synergies) or the assumptions upon which they were based. RBC Capital Markets was advised that an audit of the financial statements relating to the Everett Business and Everett were not yet completed and RBC Capital Markets assumed that, upon completion, such final audited financial statements would not reflect any information that would be meaningful in any respect to its analyses or opinion. RBC Capital Markets relied upon the assessments of the managements of CSC and HPE as to, among other things, (i) the related transactions, including with respect to the timing thereof and assets, liabilities and financial and other terms involved, (ii) the potential impact on CSC and the Everett Business of market, competitive and other trends and developments in and prospects for,



and governmental, regulatory and legislative matters relating to or otherwise affecting, the industries in which CSC and the Everett Business operate, including the potential impact of regulations, audits and cost adjustments by the U.S. government, (iii) existing and future relationships, agreements and arrangements with, and the ability to attract, retain and/or replace, key vendors, employees, customers and other commercial relationships of CSC and the Everett Business and (iv) the ability to integrate the operations of CSC and the Everett Business. RBC Capital Markets assumed, with the consent of the CSC Board of Directors, that there would be no developments with respect to any such matters, adjustments to the Original Merger Consideration or alternative transaction structures that would have an adverse effect on CSC, Everett (including the Everett Business), the Original Merger or related transactions (including the contemplated benefits thereof) or that would otherwise be meaningful in any respect to its analyses or opinion. RBC Capital Markets also relied on estimates of the management of CSC as to the capitalization of CSC and Everett, including as to the number of fully diluted shares of CSC common stock and Everett common stock as of the effective time of the Original Merger and RBC Capital Markets assumed that such number of shares would not vary in any respect that would be meaningful to its analyses or opinion.

In rendering its opinion, RBC Capital Markets did not assume any responsibility to perform, and it did not perform, an independent evaluation or appraisal of any of the assets or liabilities (contingent, off-balance sheet, derivative or otherwise) of CSC, Everett (including the Everett Business) or any other entity or business, and RBC Capital Markets was not furnished with any such valuations or appraisals. RBC Capital Markets did not assume any obligation to conduct, and it did not conduct, any physical inspection of the property or facilities of CSC, Everett (including the Everett Business) or any other entity or business. RBC Capital Markets did not evaluate the solvency or fair value of CSC, Everett (including the Everett Business) or any other entity or business under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. RBC Capital Markets assumed that the Original Merger and related transactions would be consummated in accordance with the terms of the Original Merger Agreement and the Separation Agreement and in compliance with all applicable laws, documents and other requirements, without waiver, modification or amendment of any material term, condition or agreement, and that, in the course of obtaining the necessary governmental, regulatory or third party approvals, consents, releases, waivers and agreements for the Original Merger and related transactions, no delay, limitation, restriction or condition would be imposed or occur, including any divestiture or other requirements, that would have an adverse effect on CSC, Everett (including the Everett Business), the Original Merger or related transactions (including the contemplated benefits thereof) or that would otherwise be meaningful in any respect to its analyses or opinion. RBC Capital Markets also assumed that the Original Merger and related transactions would qualify, as applicable, for the intended tax treatment contemplated by the Original Merger Agreement and the Separation Agreement. RBC Capital Markets further assumed that Everett would retain or acquire all assets, properties and rights necessary for the operations of the Everett Business, that appropriate reserves, indemnification arrangements or other provisions had been made with respect to the liabilities of or relating to Everett (including the Everett Business) assumed in connection with the Original Merger and related transactions, and that Everett would not directly or indirectly assume or incur any liabilities that were contemplated to be excluded as a result of the Original Merger, the related transactions or otherwise. In addition, RBC Capital Markets assumed that the final executed Original Merger Agreement and Separation Agreement would not differ, in any respect that would be meaningful to its analyses or opinion, from the drafts of the Original Merger Agreement and Separation Agreement reviewed by RBC Capital Markets.

RBC Capital Markets' opinion spoke only as of the date of its opinion, was based on conditions as they existed and information which RBC Capital Markets was supplied as of the date of its opinion, and was without regard to any market, economic, financial, legal or other circumstances or event of any kind or nature which may exist or occur after such date. RBC Capital Markets did not undertake to reaffirm or revise its opinion or otherwise comment upon events occurring after the date of its opinion and does not have an obligation to update, revise or reaffirm its opinion. As the CSC Board of Directors was aware, the credit, financial and stock markets, and the industries in which CSC, HPE and their respective affiliates operate, have experienced and continue to experience volatility and RBC Capital Markets expressed no opinion or view as to any potential effects of such volatility on CSC, Everett (or their respective businesses), the Original Merger or related transactions (including

the contemplated benefits thereof). RBC Capital Markets' opinion related to the relative values of CSC and Everett (including the Everett Business). RBC Capital Markets did not express any opinion as to what the value of CSC common stock or any other securities actually would be when issued or distributed or the price or range of prices at which CSC common stock or any other securities may trade or otherwise be transferable at any time, including following announcement or consummation of the Original Merger and related transactions.

RBC Capital Markets' opinion addressed only the fairness, from a financial point of view and as of the date of its opinion, to CSC of the Original Merger Consideration (to the extent expressly specified herein). RBC Capital Markets' opinion did not in any way address any related transactions or any other terms, conditions, implications or other aspects of the Original Merger, the Original Merger Agreement, the Separation Agreement or any related agreements, including, without limitation, the form or structure of the Original Merger and related transactions or any adjustment, indemnification or other agreement, arrangement or understanding to be entered into in connection with or contemplated by the Original Merger, the related transactions or otherwise. RBC Capital Markets did not express any opinion or view with respect to, and RBC Capital Markets relied upon the assessments of CSC and its representatives regarding, legal, regulatory, tax, accounting and similar matters, as to which RBC Capital Markets understood that CSC obtained such advice as it deemed necessary from qualified professionals. Further, in rendering its opinion, RBC Capital Markets did not express any view on, and its opinion did not address, the fairness of the amount or nature of the compensation (if any) to any officers, directors or employees of any party, or class of such persons, relative to the Original Merger Consideration or otherwise.

The issuance of RBC Capital Markets' opinion was approved by RBC Capital Markets' fairness opinion committee. Except as described in this summary, CSC imposed no other instructions or limitations on the investigations made or procedures followed by RBC Capital Markets in rendering its opinion.

In preparing its opinion to the CSC Board of Directors, RBC Capital Markets performed various financial and comparative analyses, including those described below. The summary below of RBC Capital Markets' material financial analyses provided to the CSC Board of Directors in connection with RBC Capital Markets' opinion is not a comprehensive description of all analyses undertaken or factors considered by RBC Capital Markets in connection with its opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to partial analysis or summary description.

In performing its analyses, RBC Capital Markets considered industry performance, general business and economic conditions and other matters, many of which are beyond the control of CSC and HPE. The estimates of the future performance of CSC and the Everett Business in or underlying RBC Capital Markets' analyses are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those estimates or those suggested by RBC Capital Markets' analyses. The analyses do not purport to be appraisals or to reflect the prices at which a company or business might actually be sold or acquired or the prices at which any securities have traded or may trade at any time in the future. Accordingly, the estimates used in, and the ranges of valuations resulting from, any particular analysis described below are inherently subject to substantial uncertainty and should not be taken as RBC Capital Markets' view of the actual value of CSC or the Everett Business.

The Original Merger Consideration that would have been paid by CSC pursuant to the Original Merger Agreement and the merger consideration payable pursuant to the Merger Agreement were determined through negotiations between CSC and HPE and were approved by the CSC Board of Directors. The decision to enter into the Original Merger Agreement, the Merger Agreement and the Separation Agreement was solely that of the CSC Board of Directors. RBC Capital Markets' opinion and analyses were only one of many factors considered by the CSC Board of Directors in its evaluation of the Original Merger and the Merger and should not be viewed as determinative of the views of the CSC Board of Directors, management or any other party with respect to the

Original Merger, the Merger or related transactions or the consideration that would have been payable in the Original Merger or related transactions or the consideration payable in the Merger or related transactions.

### *Financial Analyses*

The following is a summary of the material financial analyses provided by RBC Capital Markets to the CSC Board of Directors in connection with RBC Capital Markets' opinion, dated May 23, 2016. **The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses performed by RBC Capital Markets, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Selecting portions of RBC Capital Markets' financial analyses or factors considered or focusing on the data set forth in the tables below without considering all analyses or factors or the full narrative description of such analyses or factors, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of RBC Capital Markets' financial analyses.**

*Introduction.* In its analysis of the Original Merger Consideration from a financial point of view, RBC Capital Markets performed various financial analyses, as more fully described below. Utilizing selected public companies, sum-of-the-parts and discounted cash flow analyses, RBC Capital Markets calculated approximate implied enterprise value reference ranges for the Everett Business after taking into account debt to be assumed and/or exchanged in connection with the Original Merger and related transactions and approximate implied per share equity value reference ranges for CSC. RBC Capital Markets then calculated approximate implied reference ranges of the aggregate number of shares of CSC common stock issuable in the Original Merger (the "implied issuable shares") based on the approximate implied enterprise value and per share equity value reference ranges derived from these analyses, by (i) in the case of the low-end of such approximate implied reference ranges, dividing the low-end of the approximate implied enterprise value reference ranges derived for the Everett Business by the high-end of the approximate implied per share equity value reference ranges derived for CSC and (ii) in the case of the high-end of such approximate implied reference ranges, dividing the high-end of the approximate implied enterprise value reference ranges derived for the Everett Business by the low-end of the approximate implied per share equity value reference ranges derived for CSC. RBC Capital Markets also performed a relative contributions analysis to derive a range of approximate implied issuable shares based on the relative contributions of the Everett Business and CSC to various financial metrics of the pro forma combined company. For purposes of such analyses, (A) the term "EBIT" refers to earnings before interest and taxes, in the case of the Everett Business and CSC, including stock-based compensation expense and certain adjustments for pension and capital lease expenses and excluding restructuring and/or other one-time costs and (B) the term "EBITDA" refers to earnings before interest, taxes, depreciation and amortization, in the case of the Everett Business and CSC, including certain adjustments for pension and capital lease expenses and excluding stock-based compensation expense and restructuring and/or other one-time costs.

Financial data utilized for the Everett Business in the financial analyses described below was based on financial projections and other estimates and data relating to the Everett Business prepared by the management of CSC (the "Everett Business forecasts") and financial data utilized for CSC in such financial analyses was based on financial projections and other estimates and data relating to CSC prepared by the management of CSC (the "CSC forecasts"), in each case that RBC Capital Markets was directed to utilize in such financial analyses. For purposes of its financial analyses and opinion, RBC Capital Markets evaluated the Original Merger Consideration, which implied a pro forma equity ownership for holders of Everett common stock in the combined company of approximately 50.1% (and for holders of CSC common stock of approximately 49.9%).

*Selected Public Companies Analyses.* RBC Capital Markets performed separate selected public companies analyses of the Everett Business and CSC in which RBC Capital Markets reviewed certain financial information of the Everett Business, certain financial and stock market information of CSC and certain financial and stock market information of the following six selected companies that RBC Capital Markets considered generally

relevant as publicly traded companies with operations in the commercial information technology services industry (collectively, the “selected commercial IT services companies”):

- Accenture Holdings plc
- Atos SE
- Cap Gemini S.A.
- CGI Group Inc.
- Indra Sistemas, S.A.
- Unisys Corporation

In its selected public companies analyses of the Everett Business and CSC, RBC Capital Markets reviewed, among other things, enterprise values, calculated as equity values based on closing stock prices on May 20, 2016 plus debt and non-controlling interests less cash and cash equivalents, as a multiple of calendar year 2016 estimated EBIT. Financial data of the selected commercial IT services companies were based on publicly available research analysts’ estimates, public filings and other publicly available information. Financial data of the Everett Business was based on public filings and the Everett Business forecasts (with such data calendarized to a December 31 year-end) and financial data of CSC was based on public filings and the CSC forecasts (with such data calendarized to a December 31 year-end).

The overall low to high calendar year 2016 estimated EBIT multiples observed for the selected commercial IT services companies were 4.6x to 15.1x and the calendar year 2016 estimated EBIT multiple observed for CSC was 10.4x based on the CSC forecasts. In deriving an approximate implied enterprise value reference range for the Everett Business and an approximate implied per share equity value reference range for CSC, RBC Capital Markets then applied selected ranges of calendar year 2016 estimated EBIT multiples derived from the selected commercial IT services companies of 7.0x to 9.5x to corresponding data of the Everett Business and 8.0x to 11.0x to corresponding data of CSC based on, in the case of the Everett Business, the Everett Business forecasts and, in the case of CSC, the CSC forecasts. These analyses indicated an approximate implied enterprise value reference range for the Everett Business of \$8.150 billion to \$11.061 billion and an approximate implied equity value reference range for CSC of \$23.27 to \$37.66 per share. Utilizing the approximate implied enterprise value reference range derived for the Everett Business and the approximate implied per share equity value reference range derived for CSC described above, RBC Capital Markets calculated the following approximate range of implied issuable shares, as compared to the Original Merger Consideration:

<u>Range of Implied Issuable Shares</u>	<u>Original Merger Consideration</u>
119.4 million—318.3 million	139,234,701

RBC Capital Markets noted that such approximate range of implied issuable shares indicated a pro forma equity ownership for holders of Everett common stock in the combined company of approximately 46.3% to 69.7%.

No company used in these analyses is identical to the Everett Business or CSC. Accordingly, an evaluation of the results of these analyses is not entirely mathematical. Rather, these analyses involve complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies to which the Everett Business and CSC were compared.

*Sum-of-the-Parts Analysis.* With respect to the Everett Business, RBC Capital Markets performed a sum-of-the-parts analysis of the commercial client services business (the “commercial business”) and the United States public sector client services business (the “USPS business”) comprising the Everett Business that would have been acquired by CSC in the Original Merger. In evaluating the commercial business, RBC Capital Markets reviewed, among other things, enterprise values as a multiple of calendar year 2016 estimated EBIT of the selected commercial IT services companies referred to above under “-Selected Public Companies Analyses.” In

evaluating the USPS business, RBC Capital Markets reviewed, among other things, enterprise values as a multiple of calendar year 2016 estimated EBITDA of the following 11 selected companies that RBC Capital Markets considered generally relevant as publicly traded companies with operations in the government information technology services industry (collectively, the “selected government IT services companies”):

- Booz Allen Hamilton Holding Corporation
- CACI International Inc.
- Engility Holdings, Inc.
- ICF International, Inc.
- Kratos Defense & Security Solutions, Inc.
- Leidos Holdings, Inc.
- ManTech International Corporation
- NCI, Inc.
- Science Applications International Corporation
- The KEYW Holding Corporation
- Vectrus, Inc.

Financial data of the selected commercial IT services companies and the selected government IT services companies were based on publicly available research analysts’ estimates, public filings and other publicly available information. Financial data of the commercial business and the USPS business were based on public filings and the Everett Business forecasts (with such data calendarized to a December 31 year-end).

The overall low to high calendar year 2016 estimated EBIT multiples observed for the selected commercial IT services companies are described above under “-Selected Public Companies Analyses.” The overall low to high calendar year 2016 estimated EBITDA multiples observed for the selected government IT services companies were 7.2x to 17.0x and the calendar year 2016 estimated EBITDA multiple observed for CSRA, which was separated from CSC in November 27, 2015, was 8.1x based on publicly available research analysts’ estimates. In deriving an approximate implied enterprise value reference range for the Everett Business, RBC Capital Markets then applied selected ranges of calendar year 2016 estimated EBIT multiples of 7.0x to 9.0x derived from the selected commercial IT services companies and calendar year 2016 estimated EBITDA multiples of 6.5x to 8.0x derived from the selected government IT services companies to corresponding data of the commercial business and the USPS business, respectively, based on the Everett Business forecasts. This analysis indicated an approximate implied enterprise value reference range for the Everett Business of \$8.525 billion to \$10.854 billion. Utilizing the approximate implied enterprise value reference range derived for the Everett Business describe above and the approximate implied per share equity value reference range derived for CSC described above under “-Selected Public Companies Analyses,” RBC Capital Markets calculated the following approximate range of implied issuable shares, as compared to the Original Merger Consideration:

<u>Range of Implied Issuable Shares</u>	<u>Original Merger Consideration</u>
129.3 million—309.4 million	139,234,701

RBC Capital Markets noted that such approximate range of implied issuable shares indicated a pro forma equity ownership for holders of Everett common stock in the combined company of approximately 48.3% to 69.1%.

No company used in these analyses is identical to the Everett Business or CSC. Accordingly, an evaluation of the results of these analyses is not entirely mathematical. Rather, these analyses involve complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies to which the Everett Business and CSC were compared.



*Discounted Cash Flow Analyses.* RBC Capital Markets performed separate discounted cash flow analyses of the Everett Business and CSC by calculating the estimated present values of the standalone unlevered, after-tax free cash flows that the Everett Business was forecasted to generate based on the Everett Business forecasts and that CSC was forecasted to generate based on the CSC forecasts. For purposes of these analyses, stock-based compensation was treated as a cash expense and amortization of intangibles was excluded from depreciation and amortization for CSC. RBC Capital Markets calculated terminal values for the Everett Business and CSC by applying to the respective terminal year estimated unlevered, after-tax free cash flows of the Everett Business and CSC a range of perpetuity growth rates of 0% to 1.0% in the case of the Everett Business and 0% to 1.5% in the case of CSC. The unlevered, after-tax free cash flows and terminal values were then discounted to present value (as of May 20, 2016) using a selected discount rate range of 9.0% to 10.0% in the case of the Everett Business and 8.5% to 10.0% in the case of CSC. These analyses indicated an approximate implied enterprise value reference range for the Everett Business of \$9.606 billion to \$11.823 billion and an approximate implied equity value reference range for CSC of \$38.22 to \$57.80 per share.

Utilizing the approximate implied enterprise value reference range derived for the Everett Business and the approximate implied per share equity value reference range derived for CSC described above, RBC Capital Markets calculated the following approximate range of implied issuable shares, as compared to the Original Merger Consideration:

<u>Range of Implied Issuable Shares</u>	<u>Original Merger Consideration</u>
103.0 million—213.7 million	139,234,701

RBC Capital Markets noted that such approximate range of implied issuable shares indicated a pro forma equity ownership for holders of Everett common stock in the combined company of approximately 42.6% to 60.6%.

*Relative Contributions Analysis.* RBC Capital Markets performed a relative contributions analysis of the Everett Business and CSC in which RBC Capital Markets reviewed the relative contributions of the Everett Business and CSC to the pro forma combined company's calendar year 2016 and calendar year 2017 estimated revenue, EBIT and EBITDA. Financial data of the Everett Business was based on the Everett Business forecasts (with such data calendarized to a March 31 year-end) and financial data of CSC was based on the CSC forecasts. This analysis indicated overall relative contributions by the Everett Business of approximately 55.6% to 69.3% and by CSC of approximately 30.7% to 44.4% to the pro forma combined company's calendar year 2016 and calendar year 2017 estimated revenue, EBIT and EBITDA.

Utilizing the overall relative contributions of the Everett Business and CSC to the pro forma combined company described above, RBC Capital Markets calculated the following approximate range of implied issuable shares, as compared to the Original Merger Consideration:

<u>Range of Implied Issuable Shares</u>	<u>Original Merger Consideration</u>
157.4 million—367.5 million	139,234,701

RBC Capital Markets noted that such approximate range of implied issuable shares indicated a pro forma equity ownership for holders of Everett common stock in the combined company of approximately 53.2% to 72.6%.

### ***Certain Informational Factors***

RBC Capital Markets observed certain factors that were not considered part of RBC Capital Markets' financial analyses with respect to its opinion but were referenced for informational purposes, including, among other things, the following:

- the implied enterprise value of the Everett Business based on the Original Merger Consideration and the closing price of CSC common stock on May 20, 2016, both excluding and including estimated

pension expenses as provided by the management of CSC, which indicated an implied enterprise value of the Everett Business excluding estimated pension expenses of approximately \$8.53 billion and including estimated pension expenses of approximately \$9.1 billion;

- the historical trading performance of CSC common stock from November 27, 2015 (the date of CSRA's separation from CSC) through May 20, 2016, which indicated low and high closing prices for CSC common stock during such period of approximately \$24.27 and \$35.06 per share, as compared to the closing price for CSC common stock on May 20, 2016 of approximately \$35.01 per share; and
- publicly available one-year forward research analysts' stock price targets for CSC common stock, discounted to present value using a discount rate based on CSC's cost of equity of 12.0%, which indicated a target stock price range for CSC common stock of approximately \$25.00 to \$37.50 per share, as compared to the closing price for CSC common stock on May 20, 2016 of \$35.01 per share.

### *Miscellaneous*

In connection with RBC Capital Markets' services as CSC's financial advisor, CSC has agreed to pay RBC Capital Markets an aggregate fee of \$22 million, of which a portion was payable upon delivery of RBC Capital Markets' opinion and \$19 million is contingent upon consummation of the Merger. CSC also has agreed to reimburse RBC Capital Markets for expenses reasonably incurred in connection with RBC Capital Markets' services and to indemnify RBC Capital Markets and related persons against certain liabilities, including liabilities under the federal securities laws, arising out of RBC Capital Markets' engagement.

As the CSC Board of Directors was aware, at CSC's request, RBC Capital Markets and certain of its affiliates expect to participate in certain financings to be undertaken in connection with the Merger and related transactions, for which services RBC Capital Markets and such affiliates will receive an aggregate fee currently estimated to be approximately \$9.5 million, including acting as joint lead arranger for, and as a lender under, such financings. As the CSC Board of Directors also was aware, RBC Capital Markets and certain of its affiliates in the past have provided and currently are providing investment banking, commercial banking and financial advisory services to CSC, HPE and certain of their respective affiliates unrelated to the proposed Merger and related transactions, for which services RBC Capital Markets and its affiliates have received and expect to receive customary compensation, including, during the two-year period prior to the date of RBC Capital Markets' opinion, having acted or acting as (i) in the case of CSC, (a) financial advisor to CSC in connection with its spin-off of CSRA and (b) co-syndication agent or co-documentation agent for, and as a lender under, certain credit facilities of CSC and (ii) in the case of HPE, a lender under a credit facility of HPE. During the period from January 1, 2014 to May 20, 2016, RBC Capital Markets and such affiliates received aggregate fees for such investment banking, commercial banking and financial advisory services described in clauses (i) and (ii) above of approximately \$15.5 million from CSC and approximately \$1 million from HPE. RBC Capital Markets and its affiliates in the future may provide investment banking, commercial banking and financial advisory services to CSC, HPE, Everett and/or their respective affiliates, for which services RBC Capital Markets and such affiliates would expect to receive compensation.

RBC Capital Markets, as part of its investment banking services, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, corporate restructurings, underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. In the ordinary course of business, RBC Capital Markets or one or more of its affiliates may act as a market maker and broker in the publicly traded securities of CSC, HPE, Everett and/or any other company that may be involved in the Merger and related transactions and receive customary compensation in connection therewith, and may also actively trade securities of CSC, HPE, Everett and any other company that may be involved in the Merger and related transactions or their respective affiliates for RBC Capital Markets' or its affiliates' account and the accounts of RBC Capital Markets or its affiliates' customers and, accordingly, RBC Capital Markets and its affiliates may hold a long or short position in such securities.

RBC Capital Markets is an internationally recognized investment banking firm which is regularly engaged in providing financial advisory services in connection with mergers and acquisitions. CSC selected RBC Capital Markets to act as its financial advisor in connection with the Original Merger and the Merger on the basis of RBC Capital Markets' experience in similar transactions, reputation in the investment community and familiarity with CSC and its business.

### **Certain Financial Projections**

Apart from current fiscal year non-GAAP diluted earnings per share from continuing operations, CSC does not as a matter of course make public projections as to future performance, earnings or other results beyond the current fiscal year due to the unpredictability of the underlying assumptions and estimates. The CSC Board of Directors was provided with non-public forward looking information and scenarios regarding projected revenues, EBIT and EBITDA of Everett and CSC as well as certain estimated synergy assumptions that were prepared by CSC management in connection with the CSC Board of Directors' evaluation of the Merger. Such forward-looking information and estimated synergy assumptions were provided to RBC Capital Markets for its use and reliance in connection with its financial analyses and opinion described above under "-Opinion of CSC's Financial Advisor." In order to give stockholders access to information that was made available in connection with, and material to, the CSC Board of Directors' consideration of the Transactions, certain forward-looking information, including financial projections, has been included in this document. However, this information is not intended to influence any stockholder to make any investment decision with respect to the Transactions or for any other purpose.

The financial projections and other forward-looking financial information set forth below were not prepared with a view toward public disclosure, nor were they prepared with a view toward compliance with published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants with respect to financial projections. CSC management believes that the assumptions used as a basis for this projected financial information were reasonable based on the information available to CSC management at the time prepared. However, this information is not fact and should not be relied upon in any way as necessarily predictive of actual future results, and readers of this proxy statement/prospectus-information statement are cautioned not to place undue reliance on any such information.

Neither CSC's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the financial projections described below, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the financial projections described below.

The reports of CSC's independent registered public accounting firm incorporated by reference in this proxy statement/prospectus-information statement relate to CSC's historical financial information. The reports of Everett's independent registered public accounting firm incorporated by reference in this proxy statement/prospectus-information statement relate to Everett's historical financial information. None of those reports extend to any of the financial projections described below and should not be read to do so. The summary of financial projections below is not being included in this proxy statement/prospectus-information statement to influence the decision of any holders of CSC common stock whether to approve the plan of merger contemplated by the Merger Agreement, but because the information was included among the factors considered by the CSC Board of Directors in evaluating the Merger and related Transactions.

Certain of the financial projections described below, including EBIT and EBITDA, may be considered non-GAAP financial measures. CSC management provided this information to the CSC Board of Directors and CSC's financial advisor because CSC management believed it could be useful in evaluating Everett, in the case of projected Everett financial information, and the combined CSC and Everett businesses, in the case of combined financial projections. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP, and non-GAAP financial measures as used by CSC or HPE may not be comparable to similarly titled amounts used by other companies.



The financial projections described below were based on numerous variables and assumptions that are inherently uncertain, many of which are beyond the control of CSC's management and the management of Everett. Important factors that may affect actual results and cause the financial projections described below not to be achieved include, but are not limited to, risks and uncertainties relating to the businesses of each of CSC and Everett (including each of CSC's and Everett's ability to achieve strategic goals, objectives and targets including achievement of cost synergies), industry performance, foreign exchange rates, the regulatory environment, general business and economic conditions and other factors described under "Cautionary Statement Regarding Forward-Looking Statements." Even if such variables and assumptions prove to be correct, any delay in timing could cause future results to differ materially from projected amounts. In order to present information regarding CSC on a comparable basis to information regarding Everett for purposes of transaction analysis, CSC management conformed certain assumptions underlying projected transaction case financial information regarding Everett and CSC in some cases in ways that causes projected financial information for CSC to differ from projected financial information that CSC uses to support its own stand-alone guidance. The financial projections described below also reflect assumptions as to certain business decisions that are subject to change. As a result, actual results may differ materially from those contained in the financial projections described below. Accordingly, there can be no assurance that any aspects of the financial projections described below will be realized.

The inclusion of the financial projections described below in this proxy statement/prospectus-information statement should not be regarded as an indication that any of CSC, Everett, HPE or their respective affiliates, advisors or other representatives considered that any information contained in those financial projections are necessarily predictive of actual future events, and nothing in them should be relied upon as such. None of CSC, Everett or HPE or their respective affiliates, officers, directors, partners, advisors or other representatives can give any assurance that actual results will not differ from the financial projections described below, and none of them undertakes any obligation to update or otherwise revise or reconcile them to reflect circumstances existing after the date in May 2016 when they were generated or to reflect the occurrence of future events even in the event that any or all of the assumptions underlying the projections are shown to be in error. CSC does not intend to make publicly available any update or other revision to any such financial projections. None of CSC, Everett or HPE or any of their respective affiliates, officers, directors, partners, advisors or other representatives has made, makes or is authorized in the future to make any representation to any stockholder regarding Everett's or CSC's ultimate performance compared to the information contained in the financial projections described below or that forecasted results will be achieved.

### ***Everett Financial Projections***

CSC management prepared and made available to the CSC Board of Directors non-public, internal transaction case financial projections with respect to Everett's anticipated future operations that were prepared on a constant currency basis and were derived from information provided by HPE to CSC in connection with its due diligence review of Everett. Summary information regarding these internal transaction case projections is set forth below and is subject to the important qualifications, limitations and cautionary considerations described above (all figures below in millions of US dollars): Transaction Case Revenues, Transaction Case Adjusted EBIT (including stock-based compensation) and Transaction Case Adjusted EBITDA (including stock-based compensation) for (1) the fiscal year ended October 31, 2016 of \$17,743, \$1,150 and \$1,622, respectively, and (2) the fiscal year ended October 31, 2017 of \$17,211, \$1,236 and \$1,685, respectively.

### ***CSC/Everett Financial Projections***

In addition, CSC's management prepared non-public, internal transaction case pro forma financial projections with respect to the combined CSC and Everett businesses that were prepared on a constant currency basis and were derived from information provided by HPE to CSC in connection with its due diligence review of Everett. Summary information regarding these internal transaction case projections is set forth below and is subject to the important qualifications, limitations and cautionary considerations described above (all figures

below in millions of US dollars): CSC Transaction Case Revenues, Everett Transaction Case Revenues and pro forma combined Transaction Case Revenues for (1) the fiscal year ended March 31, 2016 of \$8,094, \$18,244 and \$26,338, respectively and (2) the fiscal year ended March 31, 2017 of \$8,417, \$17,521 and \$25,939, respectively. CSC Transaction Case EBIT, Everett Transaction Case EBIT and pro forma Transaction Case EBIT (before synergies) for (1) the fiscal year ended March 31, 2016 of \$588, \$1,129 and \$1,718, respectively, and (2) the fiscal year ended March 31, 2017 of \$740, \$1,186 and \$1,926, respectively. CSC Transaction Case EBITDA, Everett Transaction Case EBITDA and pro forma Transaction Case EBITDA (before synergies) for (1) the fiscal year ended March 31, 2016 of \$1,312, \$1,796 and \$3,108, respectively, and (2) the fiscal year ended March 31, 2017 of \$1,455, \$1,819 and \$3,274, respectively. EBITDA figures exclude stock-based compensation. Synergies were projected to total \$1,000 in the fiscal year ended March 31, 2018 and to be running at an annual rate of \$1,500 by the end of that fiscal year.

### **HPE's Reasons for the Separation, the Distribution and the Merger**

The HPE Board of Directors and HPE management periodically conduct reviews of HPE's portfolio of assets to evaluate HPE's current structure and composition, to determine whether changes might be advisable, and to look for attractive ways to add value for HPE's stockholders. As part of such a review, the HPE Board and HPE management determined that separating the Everett business was in the best interests of HPE and HPE's stockholders. The Board thus began the process that resulted in the entering into of the Merger Agreement among HPE, Everett, CSC and Merger Sub. The HPE Board of Directors believes that the Transactions will accomplish a number of important business objectives for HPE, as well as provide enhanced opportunities for the resulting combined CSC and Everett business. These important business objectives include:

- the Transactions are expected to enable HPE to sharpen its leadership in building the vital end-to-end infrastructure solutions necessary for providing cloud and mobility services.
- the Transactions are expected to increase management focus on secure, next-generation, software-defined infrastructure that leverages a portfolio of servers, storage, networking, converged infrastructure and software assets to help customers run their traditional IT better, while building a bridge to multi-cloud environments.
- the Transactions are expected to result in, among other things, improved operating efficiencies to enable the Everett business, combined with CSC, to accelerate already-improved financial and operational performance.
- the Transactions will result in the combination of the Everett business with CSC, with HPE stockholders receiving, in the Distribution, approximately 50.1% of Everett common stock outstanding after the Transactions. The resulting combined business will create a more global IT services company with the ability to serve customers worldwide. In addition, the Transaction will provide customers global access to a next-generation cloud, mobility, application development and modernization, business process services, big data and analytics, IT services and security.
- the Transactions will create significant incremental value for HPE shareholders by unlocking the faster growing, higher margin and more free cash flow HPE.

In reaching its decision to approve the Transactions, the HPE Board of Directors consulted with members of HPE's management and HPE's financial and legal advisors to consider the likely impact on stockholders, as well as a wide variety of additional factors in favor of the Transactions, including, but not limited to, the following:

- the potential value to HPE's stockholders of the approximately 50.1% of then-outstanding Everett common stock that they will own after the consummation of the Transactions, including value resulting from: (1) the potential cost reductions attributable to efficiencies and synergies to be realized by combining the Everett business with CSC; and (2) the benefits of separating the Everett business from HPE's other businesses;

- the strategic alternatives available to HPE’s enterprise services business and the potential risks and benefits of such alternatives, including retaining the Everett business, effecting a stand-alone spin, or engaging in a taxable transaction to stockholders;
- the anticipated tax-efficient structure for HPE’s stockholders; and
- the other terms and conditions of the Merger Agreement, the Separation Agreement and the other Transaction Documents, which are summarized in this proxy statement/prospectus-information statement.

The HPE Board of Directors also considered certain countervailing factors during its deliberations that did not favor the Separation, the Distribution and the Merger, including, without limitation, the possibility that the anticipated benefits of the Separation and the Merger would fail to materialize.

The above discussion is not intended to be exhaustive. In view of the variety of factors and the amount of information considered, the HPE Board of Directors did not find it practicable to, and did not make specific assessments of, quantify or otherwise assign relative weights to, the specific factors considered in reaching its determination. In addition, the HPE Board of Directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination, and individual members of the HPE Board of Directors may have given different weights to different factors.

#### **Ownership of CSC Following the Merger**

Immediately after the closing of the Merger, HPE stockholders that received Everett common stock in the Distribution will own approximately 50.1% of the outstanding shares of Everett common stock, and current CSC stockholders will own approximately 49.9% of the outstanding shares of Everett common stock, in each case excluding any overlaps in the pre-transaction shareholder bases. CSC will be a wholly-owned subsidiary of Everett immediately after the closing of the Merger. Immediately prior to the effective time of the Merger, Everett shall be redomesticated into a Nevada corporation pursuant to the DGCL and the Nevada Corporation Law.

#### **Board of Directors and Executive Officers of Everett Following the Merger; Operations Following the Merger**

The Merger Agreement provides that the Everett Board of Directors will take all actions necessary such that, effective as of the effective time of the Merger, the number of directors comprising the Everett Board of Directors shall be ten, including five current CSC board members (one of whom shall be CSC’s current Chairman, President and Chief Executive Officer) and five individuals designated by HPE (one of whom is expected to be HPE’s Chief Executive Officer). All Everett directors are expected to be identified pursuant to a joint selection process led by a four person committee consisting of Margaret C. Whitman, HPE’s Chief Executive Officer, and Patricia F. Russo, Chairman of HPE’s Board of Directors, as well as J. Michael Lawrie, CSC’s Chairman, President and Chief Executive Officer, and Peter Rutland, another member of the CSC Board of Directors. See “The Transaction Agreements—The Merger Agreement—Post-Closing Everett Board of Directors.” The Merger Agreement provides that at the next annual election of directors of Everett following the Merger, Everett will cause each of the HPE designees to be included as nominees for the Everett Board of Directors recommended by the Everett Board of Directors for election by Everett’s stockholders.

J. Michael Lawrie, CSC’s Chairman, President and Chief Executive Officer, will resign from his position with CSC and will become the Chairman, President and Chief Executive Officer of Everett immediately following the Merger. Paul N. Saleh, CSC’s Executive Vice President and Chief Financial Officer, will resign from his position with CSC and will become the Executive Vice President and Chief Financial Officer of Everett immediately following the Merger. The members of management of Everett following the Merger will be determined by Mr. Lawrie.

### Interests of Certain Persons in the Merger

Certain of CSC's directors and executive officers have financial interests in the Transactions that may be different from, or in addition to, the interests of CSC's stockholders generally. The members of the CSC Board of Directors were aware of and considered these interests, among other matters, in reaching the determination to approve the terms of the Transactions, including the Merger, and in recommending to CSC's stockholders that they vote to approve the plan of merger contemplated by the Merger Agreement. As of October 10, 2016, CSC's directors and executive officers owned less than 1% of the outstanding shares of CSC's common stock. Details of the beneficial ownership of CSC's directors and executive officers of CSC's common stock are set out in the section titled "Security Ownership of Certain Beneficial Owners."

### Change in Control under Equity Incentive Plan

Under the terms of CSC's equity incentive plans, including the 2011 Omnibus Incentive Plan, the 2007 Employee Incentive Plan and the 2010 Non-Employee Director Incentive Plan (the "Equity Incentive Plans"), all unvested equity incentive awards, including all stock options, restricted stock units and performance-based restricted stock units held by all participants under the plans, including its named executive officers and directors, are subject to accelerated vesting in whole or in part upon the occurrence of a change in control or upon the participant's termination of employment on or after the occurrence of a change in control under certain circumstances. The Transactions will constitute a change in control for purposes of these plans.

The approximate value of the restricted stock units (RSUs) held by CSC's nonemployee directors which will vest upon the occurrence of the Transactions based on a CSC stock price of \$49.25, the average closing price per share as quoted on the NYSE over the first five business days following the first public announcement of the Transactions is as follows:

<u>Director Name</u>	<u>Number of RSUs (#)</u>	<u>Approximate Value (\$)</u>
Mukesh Aghi .....	4,200	206,850
Herman E. Bulls .....	4,200	206,850
Bruce Churchill .....	4,200	206,850
Sachin Lawande .....	4,200	206,850
Brian Patrick MacDonald .....	4,200	206,850
Peter Rutland .....	4,200	206,850
Robert Woods .....	4,200	206,850
Lizabeth Zlatkus .....	4,200	206,850
<b>Totals .....</b>	<b>33,600</b>	<b>1,654,800</b>

### CEO Employment Agreement; Change in Control under Severance Plan

Under the terms of Mr. Lawrie's employment agreement with CSC and CSC's Severance Plan for Senior Management and Key Employees (the "Severance Plan"), certain payments and benefits are payable to Mr. Lawrie and to participants in the Severance Plan in the event of a qualifying termination following a change in control of the company. The Transactions will constitute a change in control for purposes of these arrangements. Potential severance payments and benefits that an executive officer would receive upon a qualifying termination are presented here for purposes of completeness. J. Michael Lawrie, CSC's Chief Executive Officer, will resign from his position with CSC and will become the Chairman and Chief Executive Officer of Everett immediately following the Merger. Paul N. Saleh, CSC's Executive Vice President and Chief Financial Officer, will resign from his position with CSC and will become the Executive Vice President and Chief Financial Officer of Everett immediately following the Merger. The members of management of Everett following the Merger will be determined by Mr. Lawrie. Mr. Lawrie is in the process of identifying the executive officers of Everett immediately following the consummation of the Merger, and details regarding these individuals will be provided when available.

### ***Quantification of Potential Payments and Benefits***

In accordance with Item 402(t) of Regulation S-K, the table below, entitled “Potential Transaction-Related Payments to Executive Officers,” along with its footnotes, shows the compensation that could become payable to CSC’s chief executive officer, chief financial officer and three other most highly compensated executive officers serving on the last day of CSC’s 2016 fiscal year (collectively, the “named executive officers”), as determined for purposes of its most recent annual proxy statement, and that are based on or otherwise relate to the Transactions. Please note that, in accordance with the rules of the SEC, you are being asked to vote on the compensation and benefits that CSC’s named executive officers may receive in connection with the Transactions, as presented below.

The actual amounts that would be paid upon a named executive officer’s termination of employment in connection with a change in control can be determined only at the time of any such event. Due to the number of factors that affect the nature and amount of any benefits provided upon such an event, any actual amounts paid or distributed may be higher or lower than reported below. Factors that could affect these amounts include the timing during the year of any such event, CSC’s stock price and the executive’s age and service.

The tables assume that the consummation of the Merger occurs on April 1, 2017, and each executive officer incurs a qualifying termination on such date. The amounts indicated below are estimates of the amounts that would be payable to the executive officers and the estimates are based on multiple assumptions that may or may not actually occur, including assumptions described in this document. Some of the assumptions are based on information not currently available and, as a result, the actual amounts, if any, to be received by an executive officer may differ in material respects from the amounts set forth below.

These amounts are reported in accordance with SEC regulations, based on a CSC stock price of \$49.25, the average closing price per share as quoted on the NYSE over the first five business days following the first public announcement of the Transactions. These benefits are in addition to benefits available prior to the occurrence of any termination of employment, including under any then-exercisable stock options, retirement plans and deferred compensation plans, and benefits available generally to salaried employees, such as distributions under CSC’s broad-based 401(k) plan.

The benefits payable as a result of a change in control as reported in the columns of this table are as follows:

- **Cash Severance Benefit:** Under the Severance Plan and Mr. Lawrie’s employment agreement, upon an involuntary termination without cause or voluntary termination for good reason following a change in control (and, in the case of executives other than Mr. Lawrie, within a specified number of years following a change in control), executives are paid a multiple of base salary plus average annual earned/paid under the Employee Incentive Compensation Plan (“EICP”) during the three fiscal years prior to which the employment termination had occurred;
- **Pro-Rata Bonus:** Mr. Lawrie’s employment agreement provides that, in the event of an involuntary termination without cause or a voluntary termination for good reason following a change in control, Mr. Lawrie also will receive a pro-rata annual bonus (c) for the year in which the termination occurs based on his target bonus for the fiscal year in which the termination occurs;
- **Benefits Continuation:** The Severance Plan and Mr. Lawrie’s employment agreement provide that upon an involuntary termination without cause or a voluntary termination for good reason following a change in control (and, in the case of executives other than Mr. Lawrie, within a specified number of years following a change in control), executives also receive the continuation of certain health and welfare benefits for a specified period following the termination of employment;
- **Equity Awards:** The amounts reported in the table below are the intrinsic value of stock options and restricted stock unit (“RSU”) awards (including both performance-vested restricted stock units (“PSUs”) and Career Shares and other service-vested RSUs) that vest upon a change in control;
  - *Pre-Fiscal 2017 Equity Awards:* Pre-fiscal 2017 stock options, regular-cycle target PSUs, the organizational health component of Mr. Lawrie’s December 2015 retention PSU award, and Career



Shares vest regardless of whether the executive officer's employment terminates, while the financial component of Mr. Lawrie's December 2015 retention PSU award and the December 2015 retention PSUs awarded to the other named executive officers vest only if the executive's employment is terminated without cause or if the executive resigns for good reason in connection with the change in control (the table below assumes such termination occurred on the change in control date);

- *Fiscal 2017 Equity Awards:* 33% of fiscal 2017 stock options and 50% of fiscal 2017 target PSUs and service-vested RSUs (including Career Shares) vest upon the occurrence of a change in control regardless of whether the executive officer's employment terminates, while the remaining portions of the fiscal 2017 awards vest only if the executive experiences a qualifying termination of employment on or after the change in control (the table below assumes such termination occurred on the change in control date);
- Reduction to Avoid Excise Tax: None of the named executive officers are entitled to an excise tax gross up. To the extent that any payments or benefits provided to Severance Plan participants or to Mr. Lawrie (under his employment agreement) constitute "excess parachute payments" under Section 280G of the Internal Revenue Code, these payments will be reduced to the maximum amount that the executive may receive without becoming subject to the excise tax imposed under Section 4999 of the Code if it is determined that the executive would retain more, on an after-tax basis, having such payments so reduced.

#### POTENTIAL TRANSACTION-RELATED PAYMENTS TO EXECUTIVE OFFICERS

Name	Cash Severance Benefit <sup>(1)</sup> (\$)	Misc. Benefits Continuation <sup>(2)</sup> (\$)	Early Vesting of:			Total Payments <sup>(4)</sup> (\$)
			Stock Options <sup>(3)</sup> (\$)	Time Vesting RSUs <sup>(3)</sup> (\$)	PSUs <sup>(3)</sup> (\$)	
J. Michael Lawrie .....	7,080,000	47,309	5,367,061	634,242	30,888,911	44,017,523
Paul N. Saleh. ....	2,387,467	45,799	1,717,427	1,366,786	8,438,101	13,955,580
Stephen J. Hilton .....	1,300,000	65,776	1,825,972	238,961	8,586,639	12,017,348
James R. Smith .....	1,664,633	48,238	1,109,144	874,089	7,383,412	11,079,516
William L. Deckelman, Jr. ....	1,637,087	24,966	827,609	2,067,170	4,891,707	9,448,539
<b>Totals</b> .....	<b>14,069,187</b>	<b>232,088</b>	<b>10,847,213</b>	<b>5,181,248</b>	<b>60,188,770</b>	<b>90,518,506</b>

- (1) Cash severance (double trigger) was calculated using two times the named executive officer's current base salary plus the named executive officer's three-year average EICP payout (i.e., for FY 2014 through FY 2016 performances). In addition, Mr. Lawrie's cash severance benefit includes a payment equal to the pro-rata Target EICP for fiscal 2017 upon employment termination (\$1,875,000).
- (2) 24 months of continued disability, health, life and accidental death and dismemberment benefits was used for all executives (double trigger).
- (3) Pre-FY17 and 33% of the FY17 outstanding stock options were assumed to vest upon change-in-control in the following amounts (single trigger): for Mr. Lawrie, \$5,364,370; for Mr. Saleh, \$1,716,566; for Mr. Hilton, \$1,825,372; for Mr. Smith, \$1,108,544; and for Mr. Deckelman, \$827,194. The remaining 67% of the FY17 outstanding stock options were assumed to vest upon the executive's qualifying termination in the following amounts (double trigger): for Mr. Lawrie, \$2,691; for Mr. Saleh, \$861; for Mr. Hilton, \$600; for Mr. Smith, \$600; and for Deckelman, \$415.  
Pre-FY17 and 50% of the FY17 unvested restricted service-vesting (RSU) equity were assumed to vest upon change-in-control in the following amounts (single trigger): for Mr. Lawrie, \$634,242; for Mr. Saleh, \$1,238,120; for Mr. Hilton, \$119,480; for Mr. Smith, \$672,853; and for Mr. Deckelman, \$1,967,956. The remaining 50% of the FY17 unvested RSU equity were assumed to vest upon the executive's qualifying termination in the following amounts (double trigger): for Mr. Lawrie, \$0; for Mr. Saleh, \$128,666; for Mr. Hilton, \$119,481; for Mr. Smith, \$201,236; and for Mr. Deckelman, \$99,214.  
Pre-FY17 and 50% of the FY17 unvested regular-cycle performance-based (PSU) equity, plus the organizational health component of Mr. Lawrie's December 15, 2015 PSU award, were assumed to vest at target upon change-in-control in the following amounts (single trigger): for Mr. Lawrie, \$20,770,153; for Mr. Saleh, \$3,308,664; for Mr. Hilton, \$3,387,120; for Mr. Smith, \$2,183,893; and for Mr. Deckelman, \$1,594,321. The remaining 50% of the FY17 unvested PSU equity, the financial component of Mr. Lawrie's December 15, 2015 PSU award, and the December 15, 2015 PSU awards granted to each of the other executives were assumed to vest at target upon the executive's qualifying termination in the following amounts (double trigger): for Mr. Lawrie, \$10,118,758; for Mr. Saleh, \$5,129,437; for Mr. Hilton, \$5,199,519; for Mr. Smith, \$5,199,519; and for Mr. Deckelman, \$3,297,386.  
These columns do not include the value of any equity awards with respect to stock of CSRA, Inc. (CSC's former North American public sector business that was spun off in November 2015 and merged with SRA International) held by the named executive officers that may vest in connection with the change in control.
- (4) Total Payments do not reflect any potential 280G excise taxes paid by executives or any potential reduction in the payments to avoid any 280G excise taxes.

## Regulatory Approvals

*U.S. Antitrust:* Under the HSR Act and related rules, the Merger may not be completed until notifications have been given and information furnished to the Federal Trade Commission and to the Antitrust Division, and all statutory waiting period requirements have been satisfied. CSC and HPE filed Notification and Report forms with the Federal Trade Commission and the Antitrust Division on June 21, 2016 and the waiting period under the HSR Act expired on August 22, 2016. In connection with the execution of the Amended Merger Agreement, the parties expect to file a Notification and Report forms with the Federal Trade Commission and the Antitrust Division by November 30, 2016.

*Foreign Regulatory Approvals:* The parties are also required to obtain antitrust clearance from the Brazilian Administrative Council of Economic Defense, the Canadian Competition Bureau, the European Commission, the Competition Commission of India, the Mexican Federal Economic Competition Commission, the Swiss Competition Commission, and the Turkish Competition Authority, or observe the applicable statutory waiting period in each of those jurisdictions.

- The parties filed the required notification form with the Brazilian Administrative Council of Economic Defense on August 4, 2016, received initial clearance on August 18, 2016 and the statutory waiting period under Brazil's competition law (Law No. 12,529/11) expired on September 5, 2016.
- The parties filed the required pre-merger notification form with the Canadian Competition Bureau on August 5, 2016 and received a letter from the Canadian Competition Bureau confirming that the Commissioner has closed the file and does not intend to make an application under Section 92 of the Competition Act on August 19, 2016. In connection with the execution of the Amended Merger Agreement, the parties intend to promptly seek a revised letter reflecting the alternative transaction structure from the Canadian Competition Bureau.
- The parties filed the required Form CO with the European Commission on August 17, 2016 and received clearance under Council Regulation (EC) No. 139/2004 on September 19, 2016. In connection with the execution of the Amended Merger Agreement, the parties intend to promptly file a revised Form CO reflecting the alternative transaction structure with the European Commission.
- The parties filed the required Form I with the Competition Commission of India on June 22, 2016 and received clearance under the Competition Act, 2002 on August 9, 2016. In connection with the execution of the Amended Merger Agreement, the parties intend to promptly make a voluntary submission reflecting the alternative transaction structure to the Competition Commission of India.
- The parties filed the required notification of concentration with the Mexican Federal Economic Competition Commission ("CFCE") on August 5, 2016. The parties submitted a briefing paper reflecting the alternative transaction structure to the Mexican CFCE on September 28, 2016. The parties received clearance under the Federal Law on Economic Competition on October 17, 2016.
- The parties filed the required notification of a proposed concentration with the Swiss Competition Commission ("COMCO") on September 9, 2016 and the filing was deemed complete on September 14, 2016. The parties received clearance under the Federal Act on Cartels and Other Restrictions of Competition and the Ordinance on the Control of Concentrations of Undertakings on October 11, 2016. In connection with the execution of the Amended Merger Agreement, the parties intend to promptly notify COMCO of the alternative transaction structure.
- The parties filed the required merger notification form with the Turkish Competition Authority on August 22, 2016 and received clearance under the Law on Protection of Competition No. 4054 on October 6, 2016. The parties have submitted a notice reflecting the alternative transaction structure to the Turkish Competition Authority on September 9, 2016.

In addition, the parties intend to promptly submit a foreign investment application to the Australian Foreign Investment Review Board.

## **Listing**

Everett intends to file an application to \_\_\_\_\_ for the listing of the shares of Everett common stock to be issued in connection with the Distribution and Merger. It is a condition to the obligation of the parties to consummate the Merger that the shares of Everett common stock to be issued in connection with the Distribution and Merger have been approved for listing on a nationally recognized securities exchange.

## **Federal Securities Law Consequences; Resale Restrictions**

Everett common stock issued pursuant to the Merger Agreement will not be subject to any restrictions on transfer arising under the Securities Act, except for shares issued to any CSC or HPE stockholder who may be deemed to be an “affiliate” of Everett for purposes of Rule 145 under the Securities Act.

## **Accounting Treatment**

ASC Topic 805 “Business Combinations” requires the use of purchase accounting for business combinations. In applying purchase accounting, it is necessary to identify both the accounting acquiree and the accounting acquiror. In identifying the accounting acquiror in a combination effected through an exchange of equity interests, all pertinent facts and circumstances must be considered, including, but not limited to, the following:

- *The relative voting interests in the combined entity after the combination.* In accordance with the Exchange Ratio agreed to in the Merger Agreement, the holders of Everett Common Stock immediately prior to the Merger will hold at least 50.1% of issued and outstanding shares of the combined company following the Merger.
- *The composition of the governing body of the combined entity.* At the effective time of the Merger, Everett’s board of directors will consist of ten directors, including five current CSC board members (one of whom shall be CSC’s current Chairman and Chief Executive Officer) and five individuals designated by HPE (one of whom is expected to be HPE’s Chief Executive Officer).
- *The composition of the senior management of the combined entity.* In this case, the senior management of Everett immediately following the Merger will be selected by CSC’s Chief Executive Officer.

The transaction between CSC and Everett is a reverse merger acquisition with Everett representing the legal acquirer of the business and CSC representing the accounting acquirer. CSC’s management has determined that CSC represents the accounting acquirer in this combination based on an analysis of the facts and circumstances specific to this transaction. CSC will apply purchase accounting to the acquired assets and assumed liabilities of Everett upon consummation of the Merger.

## **Rights of Appraisal**

Neither CSC’s nor HPE’s stockholders will be entitled to exercise appraisal or dissenters’ rights under the Nevada Corporation Law or the DGCL, in connection with the Separation, the Distribution or the Merger.



## **U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION AND MERGER**

The following is a general discussion of the U.S. federal income tax consequences of the Distribution and the Merger to holders of HPE common stock that receive Everett common stock, and cash in lieu of fractional shares of Everett common stock, in the Distribution and holders of CSC common stock that exchange their shares of CSC common stock for Everett common stock, and cash in lieu of fractional shares of Everett common stock, pursuant to the Merger. The following discussion is based on the Code, the Treasury regulations promulgated under the Code, and interpretations of such authorities by the courts and the IRS, all as they exist as of the date of this proxy statement/prospectus-information statement and all of which are subject to change, possibly with retroactive effect. Any such change could affect the accuracy of the statements and conclusions set forth in this discussion. This discussion is limited to holders of HPE common stock and CSC common stock that are U.S. holders, as defined below, and hold their shares of HPE common stock and CSC common stock as capital assets within the meaning of Section 1221 of the Code. Further, this discussion does not purport to consider all aspects of U.S. federal income taxation that may be relevant to stockholders in light of their particular circumstances, nor does it address any consequences to stockholders subject to special treatment under the U.S. federal income tax laws, such as tax-exempt entities, partnerships (including entities treated as partnerships for U.S. federal income tax purposes), persons who are subject to the alternative minimum tax, certain former citizens or long-term residents of the United States, persons who have acquired their shares of HPE common stock or CSC common stock pursuant to the exercise of employee stock options or otherwise as compensation, financial institutions, insurance companies, dealers or traders in securities, and persons who hold their shares of HPE common stock or CSC common stock as part of a straddle, hedge, conversion, constructive sale, synthetic security, integrated investment or other risk-reduction transaction for U.S. federal income tax purposes. This discussion does not address any U.S. federal estate, gift or other non-income tax consequences or any state, local or foreign tax consequences, or the consequences of the Medicare tax on net investment income.

**Holders of HPE common stock and CSC common stock should consult their tax advisors as to the particular tax consequences to them as a result of the Distribution and the Merger.**

For purposes of this discussion, a U.S. holder is a beneficial owner of HPE common stock or CSC common stock that is, for U.S. federal income tax purposes:

- an individual who is a citizen or a resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States or any state or political subdivision thereof;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if (i) a court within the United States is able to exercise primary jurisdiction over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or (ii) the trust has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds shares of HPE common stock or CSC common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding shares of HPE common stock or CSC common stock should consult its tax advisor regarding the tax consequences of the Distribution and the Merger.

### **Treatment of the Distribution**

The completion of the Transactions is conditioned upon the receipt by HPE of the Distribution Tax Opinion to the effect that, for U.S. federal income tax purposes, the Contribution, taken together with the Distribution, will qualify as a tax-free transaction under Sections 368(a), 361 and 355 of the Code. HPE also intends to seek

the IRS Ruling regarding certain issues relevant to the qualification of the Distribution and certain other aspects of the Separation for tax-free treatment for U.S. federal income tax purposes.

Assuming that the Contribution and the Distribution qualify under Sections 368(a), 361 and 355 of the Code, then, for U.S. federal income tax purposes:

- HPE will not recognize income, gain or loss on the Distribution;
- except with respect to the receipt of cash in lieu of fractional shares of Everett common stock, holders of HPE common stock will not recognize income, gain or loss on the receipt of Everett common stock in the Distribution;
- a stockholder's aggregate tax basis in its shares of HPE common stock and Everett common stock (including any fractional shares deemed received, as described below) immediately after the Distribution will be the same as the aggregate tax basis of the shares of HPE common stock held by the stockholder immediately before the Distribution, allocated between such shares of HPE common stock and Everett common stock in proportion to their relative fair market values; and
- a stockholder's holding period in the Everett common stock received in the Distribution (including any fractional shares deemed received, as described below) will include the holding period of the HPE common stock with respect to which such Everett common stock was received.

Stockholders that have acquired different blocks of HPE common stock at different times or at different prices should consult their tax advisors regarding the allocation of their aggregate tax basis in, and the holding period of, the Everett common stock distributed with respect to such blocks of HPE common stock.

An HPE stockholder that receives cash in lieu of a fractional share of Everett common stock in the Distribution will generally be treated as having received such fractional share pursuant to the Distribution and then as having sold such fractional share for cash. Taxable gain or loss will be recognized in an amount equal to the difference between (i) the amount of cash received in lieu of the fractional share and (ii) the stockholder's tax basis in the fractional share, as described above. Such gain or loss will generally be long-term capital gain or loss if the holder's holding period for its Everett common stock, as described above, exceeds one year at the effective time of the Distribution. Long-term capital gains are generally subject to preferential U.S. federal income tax rates for certain non-corporate U.S. holders (including individuals). The deductibility of capital losses is subject to limitations under the Code.

Although the IRS Ruling, if received, will generally be binding on the IRS, the continuing validity of the IRS Ruling will be subject to the accuracy of factual representations and assumptions made in the ruling request. In addition, as part of the IRS's general ruling policy with respect to split-off and spin-off transactions under Section 355 of the Code, the IRS will not rule on the overall qualification of the Distribution for tax-free treatment, but instead only on certain significant issues related thereto. As a result of this IRS ruling policy, HPE will obtain the opinion of counsel described above. The Distribution Tax Opinion will be based on current law and will rely upon various factual representations and assumptions, as well as certain undertakings made by HPE, Everett and CSC. If any of those representations or assumptions is untrue or incomplete in any material respect or any of those undertakings is not complied with, or if the facts upon which the Distribution Tax Opinion is based are materially different from the actual facts that exist at the time of the Distribution, the conclusions reached in the Distribution Tax Opinion could be adversely affected and the Distribution may not qualify for tax-free treatment. Opinions of counsel are not binding on the IRS or the courts. No assurance can be given that the IRS will not challenge the conclusions set forth in the Distribution Tax Opinion or that a court would not sustain such a challenge.

If the Distribution were determined not to qualify for tax-free treatment under Section 355 of the Code, HPE would generally be subject to tax as if it sold the Everett common stock in a taxable transaction. HPE would recognize taxable gain in an amount equal to the excess of (i) the total fair market value of the shares of Everett

common stock distributed in the Distribution over (ii) HPE's aggregate tax basis in such shares of Everett common stock. In addition, each HPE stockholder who receives Everett common stock in the Distribution would generally be treated as receiving a taxable distribution in an amount equal to the fair market value of the Everett common stock received by the stockholder in the Distribution. In general, such distribution would be taxable as a dividend to the extent of HPE's current and accumulated earnings and profits (as determined for U.S. federal income tax purposes). To the extent the distribution exceeds such earnings and profits, the distribution would generally constitute a non-taxable return of capital to the extent of the stockholder's tax basis in its shares of HPE common stock, with any remaining amount of the distribution taxed as capital gain. A stockholder would have a tax basis in its shares of Everett common stock equal to their fair market value. Certain stockholders may be subject to special rules governing taxable distributions, such as those that relate to the dividends received deduction and extraordinary dividends.

Even if the Distribution otherwise qualifies under Section 355 of the Code, the Distribution would be taxable to HPE (but not to HPE stockholders) pursuant to Section 355(e) of the Code if one or more persons acquire a 50% or greater interest (measured by vote or value) in the stock of HPE or Everett, directly or indirectly (including through acquisitions of the combined company's stock after the completion of the Transactions), as part of a plan or series of related transactions that includes the Distribution. Current law generally creates a presumption that any direct or indirect acquisition of stock of HPE or Everett within two years before or after the Distribution is part of a plan that includes the Distribution, although the parties may be able to rebut that presumption in certain circumstances. The process for determining whether an acquisition is part of a plan under these rules is complex, inherently factual in nature, and subject to a comprehensive analysis of the facts and circumstances of the particular case. Although it is expected that the Merger will be treated as part of such a plan, the Merger standing alone will not cause Section 355(e) of the Code to apply to the Distribution because holders of Everett common stock immediately before the Merger will hold more than 50% of the stock of the combined company (by vote and value) immediately after the Merger. However, if the IRS were to determine that other direct or indirect acquisitions of stock of HPE or Everett, either before or after the Distribution, were part of a plan that includes the Distribution, such determination could cause Section 355(e) of the Code to apply to the Distribution, which could result in a material tax liability.

### **Treatment of the Merger**

The completion of the Transactions is conditioned upon the receipt by HPE and CSC of Merger Tax Opinions to the effect that, for U.S. federal income tax purposes, the Merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code. The parties do not intend to seek a ruling from the IRS regarding such qualification.

Assuming that the Merger qualifies as a reorganization under Section 368(a) of the Code, then, for U.S. federal income tax purposes:

- CSC will not recognize income, gain or loss in the Merger;
- except with respect to the receipt of cash in lieu of fractional shares of Everett common stock, a holder of CSC common stock will not recognize income, gain or loss upon the exchange of CSC common stock for Everett common stock in the Merger;
- a stockholder's aggregate tax basis in the shares of Everett common stock received in the Merger (including any fractional shares deemed received, as described below) will be equal to the stockholder's aggregate tax basis in its CSC common stock surrendered for such shares of Everett common stock; and
- a stockholder's holding period in the Everett common stock received in the Merger (including any fractional shares deemed received, as described below) will include the holding period of the CSC common stock surrendered in the Merger.

Stockholders that have acquired different blocks of CSC common stock at different times or at different prices should consult their tax advisors regarding the allocation of their aggregate tax basis in, and the holding period of, the Everett common stock received in exchange for such blocks of CSC common stock.

A stockholder that receives cash in lieu of a fractional share of Everett common stock will generally be treated as having received such fractional share pursuant to the Merger and then as having sold such fractional share for cash. Taxable gain or loss will generally be recognized in an amount equal to the difference between (i) the amount of cash received in lieu of the fractional share and (ii) the portion of the stockholder's tax basis in the share of CSC common stock surrendered that is allocable to the fractional share. Such gain or loss will generally be long-term capital gain or loss if the holder's holding period for its CSC common stock, as described above, exceeds one year at the effective time of the Merger. Long-term capital gains are generally subject to preferential U.S. federal income tax rates for certain non-corporate U.S. holders (including individuals). The deductibility of capital losses is subject to limitations under the Code.

The Merger Tax Opinions will be based on current law and will rely upon various factual representations and assumptions, as well as certain undertakings made by HPE, Everett and CSC. If any of those representations or assumptions is untrue or incomplete in any material respect or any of those undertakings is not complied with, or if the facts upon which the Merger Tax Opinions are based are materially different from the actual facts that exist at the time of the Merger, the conclusions reached in the Merger Tax Opinions could be adversely affected and the Merger may not qualify for tax-free treatment. Opinions of counsel are not binding on the IRS or the courts. No assurance can be given that the IRS will not challenge the conclusions set forth in the Merger Tax Opinions or that a court would not sustain such a challenge.

If the Merger were determined to be taxable, holders of CSC common stock would be considered to have made a taxable disposition of their shares of CSC common stock to Everett, and such stockholders would generally recognize taxable gain or loss on their receipt of Everett common stock in an amount equal to the difference between (i) the fair market value of such Everett common stock and (ii) the stockholder's aggregate tax basis in the shares of CSC common stock surrendered, as described above.

### **Information Reporting and Backup Withholding**

Current Treasury regulations require certain U.S. holders of HPE common stock who are "significant distributees" (generally, a U.S. holder that owns at least 5% of the outstanding HPE common stock immediately before the Distribution) and who receive Everett common stock pursuant to the Distribution to attach to their U.S. federal income tax returns for the taxable year in which the Distribution occurs a statement setting forth certain information with respect to the transaction. HPE will provide holders of HPE common stock with the information necessary to comply with this requirement. HPE stockholders should consult their tax advisors to determine whether they are significant distributees required to provide the foregoing statement.

Current Treasury regulations require certain U.S. holders of CSC common stock who are "significant holders" (generally, a U.S. holder that owns at least 5% of the outstanding CSC common stock immediately before the Merger) and who acquire Everett common stock pursuant to the Merger to comply with certain reporting requirements. Significant holders will generally be required to file a statement with their U.S. federal income tax returns for the taxable year in which the Merger occurs setting forth certain information with respect to the transaction. CSC stockholders should consult their tax advisors to determine whether they are significant holders required to provide the foregoing statement.

In addition, payments of cash to a holder of HPE common stock and CSC common stock in lieu of fractional shares of Everett common stock in the Distribution and the Merger, respectively, may be subject to information reporting, unless the stockholder provides proof of an applicable exemption. Such payments that are subject to information reporting may also be subject to backup withholding (currently at a rate of 28%), unless such stockholder provides a correct taxpayer identification number (generally on an IRS Form W-9) and

otherwise complies with the requirements of the backup withholding rules. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding is generally reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may generally be obtained from the IRS, provided that the required information is properly furnished in a timely manner to the IRS.

## THE TRANSACTION AGREEMENTS

### THE MERGER AGREEMENT

The following is a summary of the material provisions of the Merger Agreement. The summary is qualified in its entirety by the Merger Agreement, dated as of May 24, 2016, as amended as of November 2, 2016, which is incorporated by reference in this proxy statement/prospectus-information statement. Stockholders of CSC and HPE are urged to read the Merger Agreement in its entirety. This summary of the Merger Agreement has been included to provide CSC stockholders and HPE stockholders with information regarding its terms. The rights and obligations of the parties are governed by the express terms of the Merger Agreement and not by this summary or any other information included in this document. It is not intended to provide any other factual information about CSC, Old Merger Sub, Merger Sub, HPE or Everett. Information about CSC, Old Merger Sub, Merger Sub, HPE and Everett can be found elsewhere in this proxy statement/prospectus-information statement and in the documents incorporated by reference into this proxy statement/prospectus-information statement.

The Merger Agreement contains representations and warranties of CSC that are solely for the benefit of HPE and Everett and representations and warranties of HPE, Everett and Merger Sub that are solely for the benefit of CSC. The representations and warranties in the Merger Agreement were made solely for the benefit of the parties to the Merger Agreement and were used for the purpose of allocating risk among the respective parties. The Merger Agreement is included with the registration statement of which this proxy statement/prospectus-information statement forms a part only to provide investors with information regarding the terms of the Merger Agreement, and not to provide investors with any other factual information with respect to CSC, HPE, Everett, Old Merger Sub, Merger Sub or their respective subsidiaries or businesses. Investors should not rely on the representations and warranties or any descriptions thereof as characterizations of the actual state of facts or condition of CSC, HPE, Everett, Old Merger Sub, Merger Sub or their respective subsidiaries or businesses. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in information about CSC, HPE, Everett, Old Merger Sub, Merger Sub or their respective subsidiaries or businesses made in public disclosures.

#### *The Merger*

Under the Merger Agreement and in accordance with the Nevada Corporation Law, at the effective time of the Merger, Merger Sub will merge with and into CSC. As a result of the Merger, the separate corporate existence of Merger Sub will terminate and CSC will continue as the surviving corporation and a wholly-owned subsidiary of Everett. In accordance with the Nevada Corporation Law, CSC will succeed to and assume all the rights, powers and privileges and be subject to all of the obligations of Merger Sub. The articles of incorporation and bylaws of CSC as in effect immediately prior to the Merger will be amended and restated in their entirety to read as set forth in Exhibit B and Exhibit C, respectively, to the Merger Agreement and, as so amended and restated, will be the articles of incorporation and bylaws of CSC following completion of the Merger.

#### *Closing; Effective Time*

Under the terms of the Merger Agreement, the closing of the Merger will take place on the third business day after all conditions precedent to the Merger (other than those, including the Separation and Distribution, that are to be satisfied at the closing) have been satisfied or, where permissible under applicable law, waived, or such other date and time as the parties may mutually agree. The Distribution will occur on the day prior to the closing of the Merger.

At or prior to the closing of the Merger, CSC and Merger Sub will cause to be filed articles of merger with the Secretary of State of the State of Nevada to effect the Merger. The Merger will become effective at the time of filing of the articles of merger or at such later time as CSC and Everett agree and specify in the articles of merger.



Immediately prior to the effective time of the Merger, Everett shall be redomesticated into a Nevada corporation pursuant to the DGCL and the Nevada Corporation Law.

### ***Merger Consideration***

The Merger Agreement provides that, at the effective time of the Merger, each issued and outstanding share of CSC common stock (except for any such shares held as treasury stock or by Everett, which will be cancelled) will be automatically converted into a number of shares of Everett common stock equal to the exchange ratio in the Merger Agreement. The exchange ratio in the Merger Agreement is defined as one share of Everett common stock for each share of CSC common stock issued and outstanding immediately prior to the effective time. The Merger is expected to result in HPE's stockholders entitled to shares of Everett common stock in the Distribution owning an aggregate number of Everett shares equal to approximately 50.1% of the shares of Everett common stock outstanding immediately following the Merger.

The Merger Agreement provides that after the Distribution but before the Merger, the number of outstanding shares of Everett common stock will not exceed the Everett Share Number.

Pursuant to a true-up provision in the Merger Agreement, in the event that the percentage of outstanding shares of Everett common stock to be received by HPE stockholders entitled to shares of Everett common stock in the Distribution with respect to Everett common stock that was not acquired directly or indirectly pursuant to a plan (or series of related transactions) which includes the Distribution (within the meaning of Section 355(e) of the Code), other than Qualified Everett Common Stock, would be less than 50.1% of all outstanding common stock of Everett (determined before any adjustment pursuant to the true-up provision), then the aggregate number of shares of Everett common stock into which such shares will automatically be converted in the Distribution will be increased such that the number of shares of Everett common stock to be received by HPE stockholders entitled to shares of Everett common stock in the Distribution with respect to Qualified Everett Common Stock will equal 50.1% of all the stock of Everett. If such an increase is necessary, then the amount of the Everett Debt distributed pursuant to the Separation Agreement may be decreased in certain circumstances, as described in the Merger Agreement.

No fractional shares of Everett common stock will be issued pursuant to the Merger.

The merger consideration and cash in lieu of fractional shares (if any) paid in connection with the Merger will be reduced by any applicable tax withholding.

### ***Distribution of Per Share Merger Consideration***

Prior to the effective time of the Merger, Everett will deposit in a reserve account with an exchange agent appointed by CSC and reasonably acceptable to HPE book-entry authorizations representing shares of Everett common stock for the benefit of the CSC stockholders entitled to shares of Everett common stock in the Merger and for distribution in the Merger upon conversion of the CSC common stock. At the effective time of the Merger, all issued and outstanding shares of CSC common stock (except for such shares held as treasury stock or by Everett, which will be cancelled) will be automatically converted into the right to receive one share of Everett common stock as described above under “—Merger Consideration.”

Immediately thereafter, the exchange agent will distribute to each CSC stockholder entitled to shares of Everett common stock in the Merger book-entry authorizations representing the number of whole shares of Everett common stock. The exchange agent will also distribute to each CSC stockholder entitled to shares of Everett common stock in the Merger cash in lieu of fractional shares of Everett common stock as described above under “—Merger Consideration.”

See “—Distributions With Respect to Shares of Everett Common Stock after the Effective Time” below for a discussion of other distributions with respect to shares of Everett common stock.

#### ***Treatment of HPE Equity Awards***

Under the terms of the Employee Matters Agreement, (i) awards of HPE stock options, stock appreciation rights, restricted stock units, performance-adjusted restricted stock units and accounts consisting of dividend equivalent units that are held by Everett employees and were granted after May 24, 2016 and (ii) vested but unexercised stock options and stock appreciation rights that are held by Everett employees and are outstanding as of immediately prior to the effective time of the Merger will be converted into awards of Everett time-based stock options, stock appreciation rights, restricted stock units, performance-adjusted restricted stock units and accounts consisting of dividend equivalent units, as applicable. See “Additional Agreements Related to the Separation, the Distribution and the Merger—Employee Matters Agreement.”

#### ***Treatment of CSC Equity Awards***

Under the terms of the Employee Matters Agreement, awards of CSC stock options, stock appreciation rights, restricted stock units and performance share units that are held by CSC employees and are outstanding as of immediately prior to the effective time of the Merger will be converted into awards of Everett time-based stock options, stock appreciation rights, restricted stock units and performance share units, respectively. See “Additional Agreements Related to the Separation, the Distribution and the Merger—Employee Matters Agreement.”

#### ***Distributions With Respect to Shares of Everett Common Stock After the Effective Time***

No dividend or other distributions declared or made after the effective time of the Merger with respect to Everett common stock will be paid with respect to any shares of Everett common stock that are not able to be distributed promptly after the effective time of the Merger, whether due to a legal impediment to such distribution or otherwise. Subject to the effect of applicable laws, following the distribution of any previously undistributed shares of Everett common stock that are able to be distributed promptly following the effective time of the Merger, the following amounts will be paid to the record holder of such shares of Everett common stock, without interest:

- at the time of the distribution of such previously undistributed shares, the amount of cash payable in lieu of fractional shares of Everett common stock to which such holder is entitled pursuant to the Merger Agreement and the amount of dividends or other distributions with a record date after the effective time of the Merger theretofore paid with respect to such whole shares of Everett common stock; and
- at the appropriate payment date, the amount of dividends or other distributions with a record date after the effective time of the Merger but prior to the distribution of such whole shares of Everett common stock and a payment date subsequent to the distribution of such whole shares of Everett common stock.

#### ***Termination of Distribution Fund***

Any portion of the amounts deposited with the exchange agent under the Merger Agreement that remains undistributed to the CSC stockholders entitled to shares of Everett common stock in the Merger on the one-year anniversary of the effective time of the Merger will be delivered to Everett, and any former CSC stockholders entitled to shares of Everett common stock in the Merger who have not received shares of Everett common stock as described above may thereafter look only to Everett for payment of their claim for Everett common stock and any dividends, distributions or cash in lieu of fractional shares with respect to Everett common stock (subject to any applicable abandoned property, escheat or similar law).



### ***Post-Closing Everett Board of Directors***

The Merger Agreement provides that the Everett Board of Directors will take all actions necessary such that, effective as of the effective time of the Merger, the number of directors comprising the Everett Board of Directors shall be ten, including five current CSC board members (one of whom shall be CSC's current Chairman and Chief Executive Officer) and five individuals designated by HPE (one of whom is expected to be HPE's Chief Executive Officer). All Everett directors are expected to be identified pursuant to a joint selection process led by a four person committee consisting of Margaret C. Whitman, HPE's Chief Executive Officer, and Patricia F. Russo, Chairman of HPE's Board of Directors, as well as J. Michael Lawrie, CSC's Chairman, President and Chief Executive Officer, and Peter Rutland, another member of the CSC Board of Directors. See "The Transaction Agreements—The Merger Agreement—Post-Closing Everett Board of Directors." The Merger Agreement provides that at the next annual election of directors of Everett following the Merger, Everett will cause each of the HPE designees to be included as nominees for the CSC Board of Directors recommended by the Everett Board of Directors for election by Everett's stockholders.

Additionally, J. Michael Lawrie, CSC's Chief Executive Officer, will resign from his position with CSC and will become the Chairman, President and Chief Executive Officer of Everett immediately following the Merger. Paul N. Saleh, CSC's Executive Vice President and Chief Financial Officer, will resign from his position with CSC and will become the Executive Vice President and Chief Financial Officer of Everett immediately following the Merger. The members of management of Everett following the Merger will be determined by Mr. Lawrie.

### ***Stockholders Meeting***

Under the terms of the Merger Agreement, CSC is required to establish a record date for and, as soon as practicable following the date on which the SEC has cleared the effectiveness of this proxy statement/prospectus-information statement, call a meeting of its stockholders for the purpose of voting upon the Merger. This special meeting to vote on the Merger is the meeting contemplated by the Merger Agreement. CSC is required to use its reasonable best efforts to solicit proxies from its stockholders in favor of the approval of the plan of merger contemplated by the Merger Agreement and to take all other action necessary or advisable to secure the approval of CSC's stockholders of the plan of merger contemplated by the Merger Agreement.

### ***Representations and Warranties***

In the Merger Agreement, CSC has made representations and warranties to HPE, Everett and Merger Sub, and HPE has made representations and warranties to CSC relating to HPE, Everett and Merger Sub as of the date of the Merger Agreement, which representations and warranties will also be made, subject to certain materiality, "material adverse effect," knowledge and other qualifications, as of the date of the closing of the Merger (except for certain representations and warranties that by their terms address matters only as of a specified date, which are made only as of such specified date), as described below. These representations and warranties relate to, among other things:

- due organization, good standing and qualification;
- authority to enter into the Merger Agreement (and other Transaction Documents);
- absence of conflicts with or violations of governance documents, other obligations or laws;
- governmental approvals;
- capital structure;
- financial statements and the absence of undisclosed liabilities;
- absence of investigations or litigation;
- compliance with applicable laws;
- material contracts;
- government contracts;

- employee benefit matters and labor matters;
- tax matters;
- payment of fees to brokers or finders in connection with the Transactions;
- insurance;
- permits;
- interests in real property;
- intellectual property matters;
- environmental matters;
- absence of certain changes or events;
- affiliate matters;
- accuracy of information supplied for use in this proxy statement/prospectus-information statement and the registration statements to be filed by Everett with respect to the Separation and the Distribution;
- approval by the board of directors; and
- ownership of capital stock of a counterparty.

CSC has also made representations and warranties to HPE, Everett and Merger Sub relating to certain financing matters, the opinion of CSC's financial advisor and the required vote of CSC stockholders on the transactions contemplated by the Merger Agreement (including the Merger). HPE has also made representations and warranties to CSC and Everett relating to the sufficiency of assets to be transferred to the Everett Group in connection with the Separation.

Many of the representations and warranties contained in the Merger Agreement are subject to a "material adverse effect" standard (that is, they will not be deemed to be untrue or incorrect unless their failure to be true or correct, individually or in the aggregate, may, as the case may be, have a material adverse effect on CSC, HPE or Everett, as applicable), knowledge qualifications, or both, and none of the representations and warranties will survive the effective time of the Merger. The Merger Agreement does not contain any post-closing indemnification obligations with respect to these matters.

Under the Merger Agreement, a material adverse effect means any change, event, development, condition, occurrence or effect that (1), with respect to HPE, has, or would reasonably be expected to have, a material adverse effect on the ability of HPE to perform its obligations under the Merger Agreement, or to consummate the transactions contemplated thereby and (2) with respect to CSC or Everett, as applicable, (a) is or would reasonably be expected to be materially adverse to the business, condition (financial or otherwise) or results of operations of Everett and its subsidiaries, taken as a whole, or CSC and its subsidiaries, taken as a whole, as the case may be; or (b) has, or would reasonably be expected to have, a material adverse effect on the ability of CSC or the Everett entities, as the case may be, to perform its obligations under the Merger Agreement, or to consummate the transactions contemplated thereby. However, only with respect to clause (2)(a) above, none of the following, either alone or in combination, will be deemed either to constitute, or be taken into account in determining whether there is, a material adverse effect:

- any changes resulting from general market, economic, financial, capital markets or political or regulatory conditions;
- any changes or proposed changes of law or GAAP (or, in each case, authoritative interpretations thereof);
- any changes resulting from any act of terrorism, war, national or international calamity, or any worsening thereof;

- any changes generally affecting the industries in which CSC and its subsidiaries, or Everett and its subsidiaries, as applicable, conduct their respective businesses;
- any changes resulting from the execution of the Merger Agreement or the announcement or the pendency of the Merger, including any loss of employees or customers, any cancellation of or delay in customer orders or any disruption in or termination of (or loss of or other negative effect or change with respect to) customer, supplier, distributor or similar business relationships or partnerships resulting from the transactions contemplated by the Merger Agreement (other than in the context of the representations and warranties made as to the absence of conflicts with or violations of governance documents, other obligations or laws, governmental approvals and litigation and proceedings);
- changes in the stock price or the trading volume of CSC or HPE stock, as applicable, or any change in the credit rating of CSC or Everett, as applicable (but not, in each case, the underlying cause of any such changes);
- any changes or effects resulting from any action required to be taken by the terms of the Merger Agreement;
- the failure to meet internal or analysts' expectations, projections or results of operations (but not, in each case, the underlying cause of any such changes); and
- any action arising from or relating to the Merger or the other transactions contemplated by the Merger Agreement.

### ***Conduct of Business Pending the Merger***

Each of the parties to the Merger Agreement has undertaken to perform customary covenants in the Merger Agreement that place restrictions on it and its subsidiaries until the effective time of the Merger. In general, each of CSC and HPE (with respect to Everett and its subsidiaries and the Everett business) has agreed that prior to the effective time of the Merger, except as contemplated by the Merger Agreement or the other Transaction Documents, required by applicable law or consented to by the other party thereto (which consent may not be unreasonably withheld, conditioned, delayed or denied), subject to certain agreed exceptions, it will conduct its business in the ordinary course consistent with past practice.

In addition, CSC has agreed that, prior to the effective time of the Merger, except as contemplated by the Merger Agreement or the other Transaction Documents, required by applicable law, or consented to by HPE (which consent may not be unreasonably withheld, conditioned, delayed or denied), subject to certain agreed exceptions set forth in CSC's disclosure schedules to the Merger Agreement, CSC will not, and will cause its subsidiaries not to, take any of the following actions:

- amend or modify the certificate of incorporation or bylaws (or similar organizational documents) of CSC or any of its subsidiaries;
- declare or pay any dividends on or make other distributions in respect of any of its equity interests (whether in cash, securities or property), except for cash dividends or distributions with respect to a wholly-owned subsidiary and the declaration and payment of CSC's quarterly cash dividend in the ordinary course of business consistent with past practice and paid in an amount consistent with past practice;
- split, combine or reclassify any of its equity interests or issue or authorize or propose the issuance of any other securities for such equity interests;
- redeem, repurchase or otherwise acquire any of its equity interests (including any securities convertible or exchangeable into such capital stock);
- enter into any agreement with respect to the voting or registration of its capital stock or other equity interests;

- issue, sell, pledge, dispose of, grant, transfer or encumber, or authorize any such actions with respect to, any shares of capital stock of, or any other equity interests in CSC or any of its subsidiaries, any indebtedness that grants its holders voting rights with respect to the capital stock of CSC or any of its subsidiaries, or other rights of any kind to acquire such equity interests or convertible into such equity interests, or any options, warrants, convertible security, “phantom” stock, “phantom” stock rights, stock appreciation rights or stock based performance rights, subject to certain exceptions with respect to the issuance of CSC common stock upon the exercise of CSC options, CSC performance share unit awards or CSC restricted share unit awards in accordance with their terms or pursuant to the terms of any employment agreement outstanding as of the date of the Merger Agreement, or the issuance of equity set forth on a certain schedule or among wholly-owned subsidiaries of CSC and CSC;
- sell, assign, transfer, convey, lease, license, encumber (other than permitted liens under the Merger Agreement) or otherwise dispose of any assets that are material to CSC and its subsidiaries (taken as a whole) other than sales of non-core lines of business, except in the ordinary course of business;
- (1) sell, assign, pledge, grant or acquire, or agree to do any of the foregoing, or agree not to assert or to enforce, or otherwise encumber, transfer, license, abandon, place in the public domain, permit to lapse, disclose or agree to disclose or otherwise dispose of any material intellectual property owned by CSC or its subsidiaries other than in connection with sales of non-core lines of business, except pursuant to the terms of existing contracts or the licensing of any such intellectual property in the ordinary course of business or (2) compromise, settle or agree to settle, or consent to judgment in, any one or more actions or institute any action concerning any material intellectual property owned by CSC except in the ordinary course of business or for amounts that are not material to CSC and its subsidiaries and that do not otherwise involve the imposition of material limitations on CSC’s continued use of such intellectual property;
- merge or consolidate CSC or any of its subsidiaries with any person or entity or adopt a plan of complete or partial liquidation or resolutions providing for a complete or partial liquidation, dissolution, restructuring, recapitalization (other than repayment or refinancing of debt) or other reorganization of CSC or any of its subsidiaries, other than internal restructurings in the ordinary course of business that would not have a material and adverse impact on CSC and its subsidiaries or the transactions contemplated by the Merger Agreement;
- acquire (including by merger, consolidation, or acquisition of shares or assets) any interest in any person or entity or any assets thereof, in each case with value in excess of \$500 million in the aggregate, other than in the ordinary course of business or pursuant to specified agreements;
- make any material loans or investments in, or material advances of money to, any person or entity (other than any CSC subsidiary), except for advances to employees or officers of CSC or its subsidiaries for expenses incurred in the ordinary course of business;
- except in the ordinary course of business, materially adversely modify or terminate (excluding any expiration in accordance with its terms) any contract defined as a material contract or affiliate contract under the terms of the Merger Agreement, or enter into any agreement that would have been classified as such a contract if entered into prior to the date of the Merger Agreement;
- except as otherwise required by existing CSC employee benefit plans, policies or contracts, (1) adopt, enter into, amend or increase the benefits under any CSC employee benefit plan that would increase the benefits provided to CSC employees or the cost for providing such benefits, (2) grant any increase in compensation or severance pay to any officer of CSC or any of its subsidiaries other than in the ordinary course of business or (3) adopt, enter into or amend any labor or collective bargaining agreement;
- forgive any loans to directors, officers or employees of CSC or its subsidiaries;
- other than as required or permitted by GAAP, make any material change to any accounting principles, methods or practices;

- compromise, settle or agree to settle any action or investigation (other than those in the ordinary course of business involving only the payment of monetary damages, and without the imposition of equitable relief on or any admission of wrongdoing by CSC or its subsidiaries, up to \$15 million individually or \$75 million in the aggregate);
- authorize or enter into any agreement to do any of the foregoing or otherwise make any commitment to do any of the foregoing; or
- make, change or revoke any material tax election or settle, compromise or abandon any material tax liability, in each case, other than in the ordinary course of business or as would not be likely to have a material and adverse impact on CSC and its subsidiaries, taken as a whole.

HPE has agreed that, prior to the effective time of the Merger, except as contemplated by the Merger Agreement, the Reorganization or the other Transaction Documents, required by applicable law or consented to by CSC (which consent may not be unreasonably withheld, conditioned, delayed or denied), subject to certain agreed exceptions set forth in Everett's disclosure schedules to the Merger Agreement, HPE will not, and will cause Everett and its subsidiaries not to, take any of the following actions with respect to Everett and its subsidiaries or the Everett business:

- amend or modify the certificate of incorporation or bylaws (or similar organizational documents) of Everett or any of its subsidiaries, other than an amendment to the certificate of incorporation of Everett to increase the number of authorized shares of Everett common stock;
- other than as contemplated by the Reorganization, declare or pay any dividends on or make other distributions in respect of any equity interests of Everett or its subsidiaries (whether in cash, securities or property);
- other than as contemplated by the Reorganization, split, combine or reclassify any of the equity interests of Everett or its subsidiaries, or issue or authorize the issuance of any other securities in respect of or in lieu of the equity interests of Everett and its subsidiaries;
- other than as contemplated by the Reorganization, redeem, repurchase or otherwise acquire any equity interests of Everett or its subsidiaries, or permit any subsidiaries to do the same (including any securities convertible or exchangeable into such equity interests);
- other than as contemplated by the Reorganization, enter into any agreement with respect to the voting or registration of the capital stock or other equity interests of Everett or any of its subsidiaries;
- issue, sell, pledge, dispose of, grant, transfer or encumber, or authorize any such actions with respect to, any shares of capital stock of, or any other equity interests in Everett or any of its subsidiaries, any indebtedness that grants its holders voting rights with respect to the equity interests of Everett or any of its subsidiaries, or other rights of any kind to acquire such equity interests or convertible into such equity interests, or any options, warrants, convertible security, "phantom" stock, "phantom" stock rights, stock appreciation rights or stock based performance rights, other than the issuance of equity among wholly-owned subsidiaries of Everett and Everett or to HPE;
- sell, assign, transfer, convey, lease, license, encumber (other than permitted liens under the Merger Agreement) or otherwise dispose of any assets (other than intellectual property) of HPE or any of its subsidiaries or Everett or any of its subsidiaries that are material to the Everett business (taken as a whole), except in the ordinary course of business;
- (1) sell, assign, pledge, grant or acquire, or agree to do any of the foregoing, or agree not to assert or to enforce, or otherwise encumber, transfer, license, abandon, place in the public domain, permit to lapse, disclose or agree to disclose or otherwise dispose of any intellectual property owned by Everett or its subsidiaries that is material to the Everett business, except pursuant to the terms of existing contracts or the licensing of any such intellectual property in the ordinary course of business, (2) disclose to any third party other than representatives of CSC any trade secrets included in the intellectual property

owned by Everett or its subsidiaries that is material to the Everett business, except under a confidentiality agreement or other legally binding confidentiality undertaking and except for any disclosure made as a result of publication of a patent application filed by HPE or any of its subsidiaries or (3) compromise, settle or agree to settle, or consent to judgment in, any one or more actions or institute any action concerning any such intellectual property owned by Everett and its subsidiaries that is material to the Everett business, except in the ordinary course of business;

- merge or consolidate Everett or any of its subsidiaries with any person or adopt a plan of complete or partial liquidation or resolutions providing for a complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization of Everett or any of its subsidiaries, other than internal reorganizations in the ordinary course of business that would not have a material and adverse impact on Everett and its subsidiaries, the Everett business or the transactions contemplated by the Merger Agreement;
- acquire (including by merger, consolidation, or acquisition of shares or assets) any interest in any person or entity or any assets thereof that would be an asset of Everett or any of its subsidiaries at the effective time of the Merger, in each case with value in excess of \$10 million, other than (1) in the ordinary course of business, (2) the purchase for which will be paid by HPE prior to the Distribution Date or (3) pursuant to specified agreements;
- permit or cause Everett or any of its subsidiaries to repurchase, repay, refinance or incur any indebtedness for borrowed money in excess of the amount necessary to effect the Everett Payment;
- issue any debt securities, engage in any securitization transactions or similar arrangement or assume, guarantee or endorse, or otherwise as an accommodation become responsible for in any manner the obligations of any person or entity for borrowed money, other than the obligations of Everett or any of its subsidiaries;
- permit or cause Everett or any of its subsidiaries to make any material loans or investments in, or material advances of money to, any person or entity (other than Everett or its subsidiaries), except for advances to employees or officers of Everett or its subsidiaries for expenses incurred in the ordinary course of business;
- except in the ordinary course of business, materially adversely modify or terminate (excluding any expiration in accordance with its terms) any contract defined as a Everett material contract or affiliate contract under the terms of the Merger Agreement, or enter into any agreement that would have been classified as such a contract if entered into prior to the date of the Merger Agreement;
- except as required by existing HPE employee benefit plans, law, or Everett benefit plans, policies or contracts, (1) adopt, enter into, amend or materially increase the benefits under any HPE or Everett employee benefit plan that would increase the benefits provided to Everett employees or the cost for providing such benefits, (2) grant any increase in compensation or severance pay to any employee of Everett or any of its subsidiaries, other than in the ordinary course of business or (3) adopt, enter into or amend any labor or collective bargaining agreement;
- forgive any loans to directors, officers or employees of Everett or its subsidiaries;
- other than as required or permitted by GAAP, make any material change to any accounting principles, methods or practices of Everett or any of its subsidiaries;
- compromise, settle or agree to settle any action or investigation (other than those in the ordinary course of business involving only the payment of monetary damages, and without the imposition of equitable relief on or any admission of wrongdoing by Everett or its subsidiaries or the deferral of payment until after the Distribution Date, up to \$15 million individually or \$75 million in the aggregate);
- issue any additional awards to Everett employees under any HPE stock plan, except as specified in a schedule to the Merger Agreement, or modify or waive the terms of certain outstanding HPE equity or modify or waive the terms of any HPE stock plan as applied to any outstanding awards held by Everett employees;



- authorize or enter into any agreement to do any of the foregoing or otherwise make any commitment to do any of the foregoing; or
- other than in the ordinary course of business, make, change or revoke any material tax election with respect to the Everett business that would bind Everett or any of its subsidiaries for periods following the closing of the Merger, or settle, compromise or abandon any material tax liability for which Everett or its subsidiaries will be responsible under the Tax Matters Agreement.

### ***Tax Matters***

The Merger Agreement contains certain additional representations, warranties and covenants relating to the preservation of the tax-free status of: (1) the Contribution and the Distribution and (2) the Merger. Additional representations, warranties and covenants relating to the tax-free status of the Transactions are contained in the Tax Matters Agreement. HPE, Everett and CSC agree to use their reasonable best efforts to (1) cause the Contribution and the Distribution, taken together, to qualify as a “reorganization” within the meaning of Section 368(a), 361 and 355 of the Code and (2) cause the Merger to qualify as a “reorganization” within the meaning of Section 368(a) of the Code. Indemnification for taxes generally is governed by the terms, provisions and procedures described in the Tax Matters Agreement. See “Additional Agreements Related to the Separation, the Distribution and the Merger—Tax Matters Agreement.”

### ***SEC Filings***

CSC, HPE and Everett agreed to jointly prepare this proxy statement/prospectus-information statement and the registration statement contained herein with respect to the issuance of shares of Everett common stock in the Merger and the registration statement for the distribution of Everett common stock in the Distribution, and to use reasonable best efforts to have each registration statement declared effective by the SEC as promptly as practicable after being filed.

CSC is required under the terms of the Merger Agreement to mail this proxy statement/prospectus-information statement to its stockholders as promptly as practicable after the SEC declares this proxy statement/prospectus-information statement effective. Everett is similarly required under the terms of the Merger Agreement to mail the registration statement and documents relating to the Distribution to its stockholders as promptly as practicable after the registration statement has become effective.

### ***Regulatory Matters***

The Merger Agreement provides that each party to the Merger Agreement will use reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, and to assist and cooperate with the other parties in doing or causing to be done, all things necessary, proper or advisable under the Merger Agreement and applicable laws to consummate the Merger and the other transactions contemplated by the Merger Agreement as soon as practicable after the date thereof, including preparing and filing as promptly as practicable all documentation to effect and taking all reasonable steps necessary to obtain all necessary applications, notices, petitions and filings to obtain any required consents.

Each party to the Merger Agreement has also agreed to make its respective filings under the HSR Act within 20 business days of the execution of the Merger Agreement and, as promptly as practicable, to make any other required filings under any competition laws with respect to the transactions contemplated by the Merger Agreement and to supply the appropriate governmental authorities any additional information and documentary material that may be requested pursuant to the HSR Act and such other laws as promptly as practicable. The parties have agreed to use reasonable best efforts to cause the expiration or termination of the applicable waiting periods under the HSR Act and the receipt of approvals under other applicable competition laws as soon as practicable. CSC and HPE filed Notification and Report forms with the Federal Trade Commission and the

Antitrust Division on June 21, 2016 and the waiting period under the HSR Act expired on August 22, 2016. In connection with the execution of the Amended Merger Agreement, the parties expect to file a Notification and Report forms with the Federal Trade Commission and the Antitrust Division by November 30, 2016.

In addition, each of the parties has agreed to take, or cause to be taken, any and all steps and to make any and all undertakings necessary to avoid or eliminate each and every impediment under any antitrust, merger control, competition or trade regulation law that may be asserted by any governmental authority with respect to the Merger so as to enable the closing of the Merger to occur as soon as reasonably possible, including proposing, negotiating, committing to, and effecting, by consent decree, hold separate order, or otherwise, the sale, divestiture, licensing or disposition of such assets or businesses of Everett (or Everett's subsidiaries) or CSC (or CSC's subsidiaries), as applicable, or otherwise taking or committing to take actions that limit Everett's or its subsidiaries' or CSC's or CSC's subsidiaries', as applicable, freedom of action with respect to, or their ability to retain, any of the businesses, product lines or assets of Everett (or Everett's subsidiaries) or CSC (or CSC's subsidiaries), in each case, as may be required in order to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order, or other order in any suit or proceeding, which would otherwise have the effect of preventing the closing of the Merger (provided that the effectiveness of any such sale, divestiture, license or disposition or action or commitment must be contingent on consummation of the Merger and no such action that affects CSC or Everett may be taken without the consent of CSC). However, the parties to the Merger Agreement will not have to take any such action that would be materially adverse to the business, financial condition or results of operations of CSC and its subsidiaries (including Everett and its subsidiaries, taken as a whole) or that would require such action by HPE with respect to any assets or businesses that are not part of the Everett business.

#### ***No Solicitation***

The Merger Agreement contains provisions restricting CSC's ability to seek an alternative transaction. Under these provisions, CSC agrees that it will not, and will cause its subsidiaries and representatives not to, directly or indirectly:

- solicit or initiate or knowingly encourage, directly or indirectly, any Competing Proposal or proposal which would reasonably be expected to lead to a Competing Proposal; or
- engage in negotiations or discussions with respect to any Competing Proposal.

The Merger Agreement provides that the term "Competing Proposal" means any proposal or offer from a third party relating to:

- a merger, reorganization, sale of assets, share exchange, consolidation, business combination, recapitalization, dissolution, liquidation, joint venture or similar transaction involving CSC;
- the acquisition (whether by merger, consolidation, equity investment, joint venture or otherwise) by any person or entity of 20% or more of the consolidated assets of CSC and its subsidiaries, as determined on a book-value or fair market value basis;
- the purchase or acquisition in any manner by any person or entity of 20% or more of the issued and outstanding shares of CSC common stock or any other ownership interests in CSC;
- any purchase, acquisition, tender offer or exchange offer that, if consummated, would result in any other person or entity beneficially owning 20% or more of the shares of CSC common stock, or any other ownership interests of CSC or any of its subsidiaries; or
- any combination of the foregoing.

CSC also agreed to cease, and to cause its subsidiaries and representatives to cease, any discussions or negotiations with any person that may have made a Competing Proposal prior to the date of signing of the Merger Agreement.



Under the Merger Agreement, CSC must promptly (and in any event within 24 hours) notify HPE after the receipt of a Competing Proposal or written indication that a person or entity is considering making a Competing Proposal as well of any request for non-public information relating to CSC or its subsidiaries (other than in the ordinary course, consistent with past practice and unrelated to a Competing Proposal) and of any inquiry or request for discussions or negotiations regarding any Competing Proposal. The notice must include the identity of the person or entity making the request, inquiry or proposal and a copy of the request, inquiry or proposal. CSC must also keep HPE and Everett reasonably and currently informed of any material changes or developments in connection with the foregoing (and in any event within 24 hours). CSC has also agreed that it will simultaneously provide to HPE and Everett any non-public information concerning CSC that may be made available to any other person or entity in response to such a Competing Proposal unless such information has previously been provided or made available to HPE or Everett.

Notwithstanding the covenants described in the foregoing paragraphs in this section, at any time prior to the receipt of the approval of CSC stockholders of the plan of merger contemplated by the Merger Agreement, CSC is permitted to furnish information to, and enter into discussions and negotiations with, a person or entity who has made an unsolicited, written, bona fide proposal or offer with respect to a Competing Proposal that did not result from a breach of the foregoing non-solicitation provisions by CSC if, prior to furnishing such information and entering into such discussions, the CSC Board of Directors has determined, in its good faith judgment that (1) after consulting with its outside financial advisors and outside legal counsel, any Competing Proposal constitutes a Superior Proposal, and (2) after consulting with outside legal counsel, the failure to act with respect to such Competing Proposal would be inconsistent with the fiduciary duties of the CSC Board of Directors to CSC's stockholders under applicable law. CSC must provide HPE one business day's written notice before engaging in any such actions.

The Merger Agreement provides that the term "Superior Proposal" means a bona fide written Competing Proposal by a third party (except the references therein to 20% being replaced by 50%) that was not solicited by CSC or its representatives in violation of the non-solicitation provisions of the Merger Agreement and that the CSC Board of Directors has determined in good faith (after consultation with its outside financial and legal advisors), taking into account the various legal, financial and regulatory aspects of the Competing Proposal, is reasonably likely to be consummated on a timely basis, and would be more favorable to CSC's stockholders, from a financial point of view, than the Merger and the other transactions contemplated by the Merger Agreement after giving effect to all adjustments or modifications to the terms thereof which may be agreed in writing to be made by HPE.

### ***Board Recommendation***

CSC has agreed in the Merger Agreement that neither the CSC Board of Directors, nor any committee thereof will (each action constituting a "Change in Recommendation"):

- withhold, withdraw, modify or qualify or publicly propose to withdraw, withhold, modify or qualify, in a manner adverse to HPE or Everett, the recommendation by the CSC Board of Directors that CSC's stockholders approve the plan of merger contemplated by the Merger Agreement;
- make or permit any director or executive officer to make any public statement or make any public statement in connection with the CSC special meeting that would reasonably be expected to have the same effect; or
- approve, determine to be advisable or recommend, or publicly propose to approve, determine to be advisable or recommend any Competing Proposal.

Notwithstanding the foregoing, the CSC Board of Directors may, at any time prior to receiving stockholder approval to the plan of merger contemplated by the Merger Agreement, make a Change in Recommendation, if either of the following conditions are satisfied:

- CSC has received a bona fide written Competing Proposal and has not violated the provisions described in “—No Solicitation” above and the CSC Board of Directors determines in good faith (after consultation with outside financial and legal advisors), taking into account the various legal, financial and regulatory aspects of the Competing Proposal, that such Competing Proposal constitutes a Superior Proposal; or
- the CSC Board of Directors has determined in good faith that a material event, development or change in circumstances with respect to CSC first occurring or coming to the attention of the CSC Board of Directors after the date of the Merger Agreement and prior to obtaining the CSC stockholder approval and which was not known and could not reasonably be expected to have been known or foreseen by the CSC Board of Directors as of or prior to the date of the Merger Agreement, which we refer to as an “Intervening Event”, has occurred or is continuing, such event first occurred or came to the attention of the CSC Board of Directors subsequent to the date of the Merger Agreement and was not known or foreseeable, and the CSC Board of Directors determined in good faith after consultation with outside financial advisors and outside legal counsel, that inaction would be inconsistent with the directors’ fiduciary duties under applicable law; provided, that the receipt, existence or terms of a Competing Proposal, any events, developments or changes in circumstances of HPE, the Everett Group, the status of the Merger under the HSR Act or any required third-party consent, any change in the price or change in the trading volume of CSC common stock (but not the underlying cause of any such change), and the meeting or exceeding of internal or analysts’ expectations, projections or results of operations or any matter relating to the foregoing or consequences of the foregoing will not constitute Intervening Events.

CSC may not take the action described above, unless:

- it has notified HPE and Everett in writing of its intention to take such action at least four business days prior to taking such action, which notice must include certain information required by the Merger Agreement;
- if requested by HPE or Everett, the CSC Board of Directors and its representatives must have negotiated in good faith with HPE during the notice period to enable HPE and Everett to propose changes to the terms of the Merger Agreement intended to cause the Superior Proposal to no longer constitute a Superior Proposal or such Intervening Event not to be material;
- the CSC Board of Directors concludes in good faith, after consultation with CSC’s outside legal counsel and financial advisors and considering any revisions proposed by HPE and Everett, that any Superior Proposal continues to be a Superior Proposal and the failure to make a Change in Recommendation would be inconsistent with the CSC Board of Directors’ fiduciary duties to CSC stockholders under applicable law; and
- if there is any amendment to the terms of the Superior Proposal during the four business day period following delivery of the notice described above, CSC provides a new written notice of the terms of such amended Superior Proposal giving HPE and Everett two business days for each subsequent amendment to make an offer to revise the terms of the Transactions.

The Merger Agreement provides that CSC is not prohibited from making disclosures to its stockholders of any Competing Proposal under Rule 14e-2(a) or Rule 14d-9 of the Exchange Act. However, CSC is required to reaffirm in any such disclosure the CSC Board of Directors recommendation in favor of the Merger.

## ***Financing***

Prior to the execution of the Merger Agreement, CSC entered into the Commitment Letters, under which the Commitment Parties committed to provide to CSC with debt financing in an aggregate amount of approximately \$3.1 billion subject to the terms and conditions of the Commitment Letters. See “Debt Financing.”

The Merger Agreement provides that CSC will use reasonable best efforts to take all actions necessary to consummate the debt financing contemplated by the Commitment Letters as promptly as practicable after the date of the Merger Agreement on terms and conditions no less favorable in the aggregate than the terms and conditions of the Commitment Letters. Furthermore, CSC is required to, and to cause its affiliates to:

- use reasonable best efforts to comply with and maintain the Commitment Letters and negotiate and execute definitive agreements on the terms and conditions contained in the Commitment Letters;
- satisfy the conditions in the Commitment Letters and the definitive agreements for the debt financing that are within CSC’s control;
- fully enforce its rights under the Commitment Letters and the definitive agreements for the debt financing; and
- use reasonable best efforts to draw upon and consummate the debt financing contemplated by the Commitment Letters at or prior to the Distribution.

The Merger Agreement provides that if any portion of the financing contemplated by the Commitment Letters or the related definitive agreements becomes unavailable on the terms and conditions contemplated in the Commitment Letters or such definitive agreements, CSC will use reasonable best efforts to obtain alternative financing that is sufficient to finance the payments to be made to HPE under the Separation Agreement on terms that do not expand the conditions to the funding from those in the Commitment Letters. CSC will be subject to the same obligations described in the preceding paragraph with respect to any such alternative financing arrangements.

CSC has agreed to keep HPE informed of the status of its efforts to arrange the debt financing. Except in limited circumstances, CSC may not, without HPE’s consent, amend, modify, supplement, restate, substitute, replace, terminate, assign or agree to any waiver under the Commitment Letters or any definitive agreement relating to the debt financing in a manner that expands on the conditions precedent or contingencies to the funding on the closing date of the debt financing or that could otherwise prevent, impair or materially delay the consummation of the Transactions. Prior to the closing of the Merger, HPE has agreed to cooperate, at the expense of CSC, with CSC for the arrangement of the debt financing.

## ***Debt Exchange***

The Merger Agreement provides that HPE will use its reasonable best efforts to, prior to the Distribution, (i) cause Everett to distribute to HPE the Everett Debt (containing terms consistent with those set forth in the Merger Agreement) and (ii) consummate the Debt Exchange in a process to be jointly managed by HPE and CSC in good faith. The Merger Agreement contains covenants requiring HPE and CSC to cooperate in the preparation of documents and the making of filings required for the issuance of the Everett Debt and the consummation of the Debt Exchange and to coordinate their activities with respect to the Debt Exchange and the other components of the debt financing. However, HPE will have the right to make the final determination, after good faith consultation with CSC, on any matters as to which the parties disagree (including the determination of whether to effect the Debt Exchange by means of a direct or intermediated exchange).

### ***Mutual Employee Non-Solicitation***

Under the Merger Agreement, for a period starting on May 24, 2016 and ending 12 months after the closing date of the Merger, each of HPE, on the one hand, and CSC and Everett (in the case of Everett, after the effective time of the Merger), on the other hand, has agreed that, without the other party's prior written consent, it will not, directly or indirectly:

- solicit, hire or offer to hire any of the employees of the other party;
- seek to cause any employees of the other party to leave the employ of such other party or its subsidiaries; or
- enter into a consulting agreement with any employee of such other party.

The restrictions in the preceding paragraph do not apply to general solicitations or advertisements that are not targeted at the employees of the other party. In addition, neither party is restricted from soliciting, hiring, offering to hire or entering into a consulting agreement with any employee of the other party whose employment with such other party was terminated by such other party.

### ***Certain Other Covenants and Agreements***

The Merger Agreement contains certain other covenants and agreements, including covenants (with certain exceptions specified in the Merger Agreement) relating to:

- access to each of CSC's and Everett's properties, contracts and books and records and appropriate senior-level officers and employees;
- preservation of the indemnification provisions in the governing documents of Everett with respect to directors, officers, employees or agents of Everett;
- advanced consent requirements for public announcements concerning the transactions contemplated by the Merger Agreement;
- defense of any derivative action brought against CSC and/or its directors in connection with the Transactions;
- steps required to cause any disposition of CSC common stock or acquisitions of Everett common stock resulting from the Transactions by each officer or director who is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to CSC or Everett to be exempt under Rule 16b-3 promulgated under the Exchange Act;
- HPE's and Everett's obligations to ensure Everett has a sufficient number of authorized shares to effect the issuances under the Distribution and the Merger;
- the obligations of CSC to obtain the release of HPE and its affiliates from certain contracts, instruments or other arrangements to the extent relating to Everett and for which HPE or its affiliate is a guarantor or person required to provide financial support, including by substituting CSC or one of its subsidiaries for the applicable HPE entity and HPE's indemnification obligations following the closing of the Merger with respect thereto;
- HPE's obligation to deliver to CSC certain audited and unaudited financial statements of the Everett business;
- the continued obligations of Everett with respect to certain non-competition restrictions in existing agreements;
- cooperation by CSC to provide IT outsourcing services to HPE pursuant to mutually agreed upon terms; and
- CSC's and HPE's obligations to cause all Transaction Documents to be executed and delivered at the closing of the Merger.

### *Conditions to the Merger*

The obligations of the parties to the Merger Agreement to consummate the Merger are subject to the satisfaction or, if permitted under applicable law, waiver, of the following conditions:

- the expiration or termination of any applicable waiting period under the HSR Act, and the receipt of applicable consents, authorizations, orders, or approvals required under other competition laws in certain specified jurisdictions;
- the consummation of the Reorganization and the Distribution in accordance with the Separation Agreement;
- the effectiveness of the registration statements of Everett and the absence of any stop order issued by the SEC or any pending proceeding before the SEC seeking a stop order with respect thereto;
- the approval for listing on a nationally recognized securities exchange of the shares of Everett common stock to be issued in the Merger;
- the approval by CSC stockholders of the plan of merger contemplated by the Merger Agreement; and,
- the absence of any law or action by a governmental authority that enjoins, restrains or prohibits the consummation of the Reorganization, the Distribution or the Merger.

CSC's obligations to effect the Merger are subject to the satisfaction or, if permitted by applicable law, waiver, of the following additional conditions:

- the performance or compliance in all material respects by HPE and Everett of all covenants required to be complied with or performed by them on or prior to the effective time of the Merger under the Merger Agreement;
- the truth and correctness in all material respects of HPE's and Everett's representations and warranties with respect to organization, authorization and brokers' fees as of the date of the Merger Agreement and as of the date of the Merger (except for certain representations and warranties that by their terms address matters only as of a specified date, which are to be true and correct only as of such specified date);
- the truth and correctness in all respects of HPE's representations and warranties relating to Everett with respect to capital stock, the absence of a "material adverse effect" with respect to Everett and receipt of board and stockholder approval as of the date of the Merger Agreement and as of the date of the Merger (except for certain representations and warranties that by their terms address matters only as of a specified date, which are to be true and correct only as of such specified date);
- the truth and correctness in all respects of all other representations and warranties made by HPE in the Merger Agreement (without giving effect to any materiality, material adverse effect or similar qualifiers) as of the date of the Merger Agreement and as of the date of the Merger (except for certain representations and warranties that by their terms address matters only as of a specified date, which are to be true and correct only as of such specified date), except as would not have a material adverse effect;
- the receipt by CSC of a certificate, dated as of the closing date of the Merger, signed by a senior officer of HPE certifying the satisfaction of the conditions described in the preceding four bullet points;
- the entry by HPE, Everett and Merger Sub's into all other applicable Transaction Documents, and performance in all material respects of all covenants thereunder to be performed or complied with prior to the effective time of the Merger; and
- the determination by CSC that the Merger and related transactions will not constitute an acquisition of a "50-percent or greater interest" (within the meaning of Section 355(d)(4) of the Code) in CSC, as determined under the principles of Section 355(e) of the Code and the Treasury Regulations promulgated thereunder and the receipt by CSC of a tax opinion from its tax counsel.

HPE's, Everett's and Merger Sub's obligations to effect the Merger are subject to the satisfaction or, if permitted by applicable law, waiver, of the following additional conditions:

- the performance or compliance in all material respects by CSC of all covenants required to be complied with or performed by it on or prior to the effective time of the Merger under the Merger Agreement;
- the truth and correctness in all material respects of CSC's representations and warranties with respect to organization, authorization and brokers fees as of the date of the Merger Agreement and as of the date of the Merger (except for certain representations and warranties that by their terms address matters only as of a specified date, which are to be true and correct only as of such specified date);
- the truth and correctness in all respects of CSC's representations and warranties with respect to the capital stock of CSC, affiliate matters and receipt of board approval as of the date of the Merger Agreement and as of the date of the Merger (except that the truth and correctness representation and warranty with respect to the capitalization of CSC may have de minimis deviations from the "in all respects" standard);
- the truth and correctness in all respects of all other representations and warranties made by CSC in the Merger Agreement (without giving effect to any materiality, material adverse effect or similar qualifiers) as of the date of the Merger Agreement and as of the date of the Merger (except for certain representations and warranties that by their terms address matters only as of a specified date, which are to be true and correct only as of such specified date), except as would not have a material adverse effect;
- the receipt by HPE of a certificate, dated as of the closing date of the Merger, signed by a senior officer of CSC certifying the satisfaction of the conditions described in the preceding four bullet points;
- the entry by CSC into all applicable other Transaction Documents, and performance in all material respects of all covenants thereunder to be performed or complied with prior to the effective time of the Merger;
- the receipt by HPE of a tax opinion from HPE's counsel; and
- the consummation of the Debt Exchange and the receipt by HPE of the Everett Payment immediately before the Distribution.

### ***Termination***

The Merger Agreement may be terminated at any time prior to the consummation of the Merger by the mutual written consent of HPE and CSC. Also, subject to specified qualifications and exceptions, either HPE or CSC may terminate the Merger Agreement at any time prior to the consummation of the Merger if:

- any governmental authority has promulgated, entered, enforced, enacted or issued or deemed applicable to the Merger or the other transactions contemplated by the Merger Agreement any law that permanently prohibits, restrains or makes illegal the Merger or the other transactions contemplated by the Merger;
- the Merger has not been consummated on or prior to the Outside Date; or
- CSC's stockholders fail to approve the plan of merger contemplated by the Merger Agreement at the meeting of CSC's stockholders held for such purpose (including any adjournment or postponement thereof).

In addition, subject to specified qualifications and exceptions, HPE may terminate the Merger Agreement if:

- CSC has breached any representation, warranty, covenant or agreement in the Merger Agreement that would cause the Joint Conditions to the Merger or the conditions to HPE's obligation to consummate the Merger described above not to be satisfied, and such breach is not cured by the earlier of 60 days after notice of the breach and the Outside Date, or is incapable of cure prior to the Outside Date;



- the CSC Board of Directors effects a Change in Recommendation; or
- CSC has failed to comply with its obligations under the Merger Agreement relating to non-solicitation or to hold the CSC special meeting for approval of the plan of merger contemplated by the Merger Agreement.

In addition, subject to specified qualifications and exceptions, CSC may terminate the Merger Agreement if:

- HPE or Everett has breached any representation, warranty, covenant or agreement in the Merger Agreement that would cause the Joint Conditions to the Merger or the conditions to CSC's obligation to consummate the Merger described above not to be satisfied, and such breach is not cured by the earlier of 60 days after notice of the breach and the Outside Date, or is incapable of cure prior to the Outside Date; or
- the CSC Board of Directors or any committee thereof, prior to receipt of stockholder approval of the plan of merger contemplated by the Merger Agreement and subject to payment by CSC to HPE of the \$275 million Alternative Termination Fee, authorizes CSC's entry into a definitive agreement with respect to a Superior Proposal and CSC enters into such agreement, in circumstances where CSC is permitted to terminate the Merger Agreement and accept such Superior Proposal.

In the event of termination of the Merger Agreement, the Merger Agreement will terminate without any liability on the part of any party except as described below under "—Termination Fee and Expenses Payable in Certain Circumstances," provided that nothing in the Merger Agreement will relieve any party of liability for fraud or willful breach prior to termination.

#### ***Termination Fee and Expenses Payable in Certain Circumstances***

In addition to the Alternative Termination Fee described above, the Merger Agreement provides that upon termination of the Merger Agreement under specified circumstances, CSC is required to pay HPE the \$160 million Termination Fee. The circumstances under which the Termination Fee may be payable include:

- if HPE terminates the Merger Agreement after CSC has materially breached its obligations under the non-solicitation provisions of the Merger Agreement or its obligation to hold a special meeting of CSC stockholders to vote on the proposal to approve the plan of merger contemplated by the Merger Agreement;
- if HPE terminates the Merger Agreement following a Change in Recommendation by the CSC Board of Directors;
- if (1) a Competing Proposal with respect to CSC is publicly made and not withdrawn five business days prior to specified events, (2) the Merger Agreement is terminated under any of the circumstances listed below and (3) CSC consummates, or enters into a definitive agreement with respect to and subsequently consummates, a Competing Proposal within twelve months of the termination of the Merger Agreement:
  - (a) in the event the Merger Agreement is terminated by either HPE or CSC after the failure to obtain approval from CSC stockholders of the plan of merger contemplated by the Merger Agreement at the CSC special meeting,
  - (b) in the event the Merger Agreement is terminated by HPE because CSC has committed an uncured or incurable breach of any representation, warranty, covenant or agreement in the Merger Agreement such that the conditions to the closing of the Merger would not be satisfied, or
  - (c) in the event the Merger Agreement is terminated by HPE because the transactions contemplated by the Merger Agreement have not been consummated prior to the Outside Date.

If the Merger Agreement is terminated because CSC's stockholders fail to approve the plan of merger contemplated by the Merger Agreement at the meeting of CSC stockholders, CSC will be required to reimburse HPE in cash for certain out-of-pocket fees and expenses incurred by HPE in connection with the Transactions, up to a maximum of \$45 million in the aggregate.

Payment of the Termination Fee or Alternative Termination Fee will be HPE's sole and exclusive remedy, unless HPE commences an action alleging CSC has committed a willful breach or fraud, in which case HPE will be entitled to any damages received in such action that it receives above the amount of the Termination Fee or Alternative Termination Fee.

### ***Specific Performance***

In the Merger Agreement, the parties acknowledge and agree any breach of the Merger Agreement by any party could not be adequately compensated by monetary damages alone and that the parties would not have any adequate remedy at law. Accordingly, the parties have agreed that in addition to any other right or remedy to which a party may be entitled, in the event of any actual or threatened default or breach of any of the terms or conditions or provisions of the Merger Agreement, the aggrieved party will have the right to specific performance and injunctive or other equitable relief in respect of its rights under the Merger Agreement or any other Transaction Document, including the right to enforce specifically the other parties' obligations to consummate the transactions contemplated by the Merger Agreement.

### ***Amendments***

The Merger Agreement may not be amended or modified, in whole or in part, except by an instrument in writing duly signed by an authorized representative of each party to the Merger Agreement that expressly references the Merger Agreement.

## **THE SEPARATION AND DISTRIBUTION AGREEMENT**

The following is a summary of the material provisions of the Separation Agreement. This summary is qualified in its entirety by the Separation and Distribution Agreement, dated as of May 24, 2016, as amended as of November 2, 2016 and as may be further amended from time to time, by and between HPE and Everett, which is incorporated by reference in this document. Stockholders of HPE and CSC are urged to read the Separation Agreement in its entirety. This description of the Separation Agreement has been included to provide HPE stockholders and CSC stockholders with information regarding its terms. The rights and obligations of the parties are governed by the express terms and conditions of the Separation Agreement and not by this summary or any other information included in this proxy statement/prospectus-information statement. It is not intended to provide any other factual information about CSC, Merger Sub, HPE or Everett. Information about CSC, Merger Sub, HPE and Everett can be found elsewhere in this proxy statement/prospectus-information statement and in the documents incorporated by reference into this proxy statement/prospectus-information statement. See also "Where You Can Find Additional Information."

Descriptions regarding the assets and liabilities conveyed to Everett and retained by HPE contained in the Separation Agreement are qualified by certain information that has been exchanged separately between HPE and Everett and that is not reflected in the Separation Agreement. Accordingly, HPE stockholders and CSC stockholders should not rely on the general descriptions of assets and liabilities in the Separation Agreement, as they may have been modified in important ways by the information exchanged separately between HPE and CSC.

### ***Overview***

The Separation Agreement provides for the Separation of Everett from HPE. Among other things, the Separation Agreement specifies which assets of HPE related to the Everett business are to be transferred to, and



which liabilities of HPE related to the Everett business are to be assumed by, Everett and its subsidiaries and other entities, and sets forth when and how these transfers and assumptions will occur. The Separation Agreement also includes procedures by which HPE and Everett will become separate and independent companies. The matters addressed by the Separation Agreement include the matters described below.

In consideration of the transfer of the specified assets and liabilities relating to the Everett business to Everett or other members of the Everett Group, Everett will:

- issue to HPE additional shares of Everett common stock such that the number of shares of Everett common stock outstanding immediately prior to the Merger will be equal to the Everett Share Number;
- distribute to HPE securities representing the Everett Debt; and
- distribute to HPE the Everett Payment.

### ***Transfer of Assets and Assumption of Liabilities***

The Separation Agreement identifies the assets to be transferred, the liabilities to be assumed and the contracts to be assigned to each of HPE and Everett as part of the separation of HPE into two independent companies, and it provides for when and how these transfers, assumptions and assignments will occur.

In particular, the Separation Agreement provides that subject to the terms and conditions contained therein, assets related to the Everett business will generally be retained by or transferred to Everett, including, among others:

- assets listed on certain schedules to the Separation Agreement;
- shares of capital stock and other equity interests in certain subsidiaries and other entities of the Everett Group;
- contracts (or portions thereof) exclusively related to the Everett business;
- assets reflected on the combined unaudited pro forma pre-tax balance sheet of the Everett Group as of January 31, 2016, and any assets acquired by or for the Everett business after the date of such balance sheet which would have been reflected on such balance sheet had such assets been acquired on or before the date of such balance sheet;
- certain intellectual property rights allocated to the Everett Group, as further described under “IP Matters Agreement” below;
- certain rights under occurrence-based insurance policies in place prior to the Distribution, but only to the extent such policies provide coverage to members of the Everett Group without cost to HPE and its subsidiaries;
- certain owned and leased real property allocated to the Everett Group, as further described under “Real Estate Matters Agreement” below;
- certain office equipment, trade fixtures and furnishings located at physical sites of the Everett Group;
- intercompany receivables owed to a member of the Everett Group, on the one hand, by HPE or any of its subsidiaries, on the other hand, that: (A) are in respect of goods or services sold to or by a member of the Everett Group; (B) are effective or outstanding as of the Distribution, after giving effect to any settlement and payment made prior to or as of the Distribution; and (C) are included in the calculation of the post-closing adjustments relating to intercompany receivables and payables; and
- rights and assets expressly transferred to a member of the Everett Group pursuant to the terms of the Separation Agreement or the ancillary agreements to be entered into in connection with the Separation;

All of the assets other than the assets allocated to Everett will be retained by or transferred to HPE. The Separation Agreement identifies specific assets that will not be allocated to Everett, including:

- assets listed on certain schedules to the Separation Agreement;
- cash and cash equivalents, other than cash or cash equivalents held by or in the name of a member of the Everett Group as of the Distribution;
- shares of capital stock and other equity interests in certain subsidiaries and other entities held by HPE that are not members of the Everett Group;
- contracts not allocated to the Everett Group;
- intellectual property rights owned by HPE or any of its subsidiaries that are not allocated to the Everett Group;
- owned and leased real property allocated to HPE or any of its subsidiaries; and
- other assets that are expressly contemplated by the Separation Agreement or any ancillary agreement as assets to be retained by HPE or any of its subsidiaries.

The Separation Agreement provides that liabilities related to the Everett business or the assets allocated to Everett will generally be retained by or transferred to Everett, including:

- liabilities listed on certain schedules to the Separation Agreement;
- liabilities to the extent relating to, arising out of or resulting from the operation of the Everett business at any time, the operation of any business conducted by any member of the Everett Group at any time after the Distribution, assets allocated to the Everett Group; and any environmental condition or matter relating to, arising out of or resulting from (A) any properties owned, leased or occupied by any member of the Everett Group; (B) the ownership, occupancy or use of the Everett Assets; (C) the presence on or release of hazardous materials on or from any Everett Assets; (D) the conduct or operation of the Everett business; or (E) the use, treatment, release, handling, transportation or disposal of hazardous materials by the Everett business or by or on behalf of any member of the Everett Group;
- liabilities reflected on the combined unaudited pro forma pre-tax balance sheet of the Everett Group as of January 31, 2016, and any liabilities arising or assumed after the date of such balance sheet which would have been reflected on such balance sheet had such liabilities arisen or been assumed on or before the date of such balance sheet;
- liabilities arising out of or resulting from: (A) the Everett Debt and any debt incurred by Everett to finance the Everett Payment; (B) the Zero-Coupon Convertible Senior Notes Due October 1, 2021, 3.875% Convertible Senior Notes due 2023 and 7.45% Notes due 2029 of HP Enterprise Services, LLC (formerly known as Electronic Data Systems LLC, formerly known as Electronic Data Systems Corporation); (C) all capitalized lease obligations that expire on or before March 31, 2019; (D) up to \$250,000,000 in the aggregate among all Everett Group members of capitalized lease obligations that expire after March 31, 2019; and (E) certain other liabilities specified in the Separation Agreement;
- intercompany payables owed by a member of the Everett Group, on the one hand, to HPE or any of its subsidiaries, on the other hand, that: (A) are in respect of goods or services sold to or by a member of the Everett Group; (B) are effective or outstanding as of the Distribution, after giving effect to any settlement and payment made prior to or as of the Distribution; and (C) are included in the calculation of the post-closing adjustments relating to intercompany receivables and payables; and
- liabilities that are expressly provided by the Separation Agreement or any ancillary agreements to be assumed by Everett or any other member of the Everett Group, and all liabilities of Everett or any other member of the Everett Group under the Separation Agreement or any ancillary agreement.

All of the liabilities other than the liabilities allocated to Everett will be retained by or transferred to HPE. The Separation Agreement identifies specific liabilities that will not be allocated to Everett, including:

- liabilities listed on certain schedules to the Separation Agreement;
- liabilities of HPE or any of its subsidiaries to the extent relating to, arising out of or resulting from any assets not allocated to the Everett Group;
- liabilities arising out of or resulting from any debt or capitalized lease obligations other than: (A) the Everett Debt and any debt incurred by Everett to finance the Everett Payment; (B) the Zero-Coupon Convertible Senior Notes Due October 1, 2021, 3.875% Convertible Senior Notes due 2023 and 7.45% Notes due 2029 of HP Enterprise Services, LLC (formerly known as Electronic Data Systems LLC, formerly known as Electronic Data Systems Corporation); (C) all capitalized lease obligations that expire on or before March 31, 2019; (D) up to \$250,000,000 in the aggregate among all Everett Group members of capitalized lease obligations that expire after March 31, 2019; and (E) certain other liabilities specified in the Separation Agreement; and
- liabilities that are expressly contemplated by the Separation Agreement or any ancillary agreements to be retained or assumed by HPE or any of its subsidiaries, and all liabilities of HPE or any of its subsidiaries under the Separation Agreement or any ancillary agreements.

Information in this proxy statement/prospectus-information statement with respect to the assets and liabilities of Everett and HPE following the Distribution is presented based on the allocation of such assets and liabilities pursuant to the Separation Agreement and the ancillary agreements, unless the context otherwise requires. The Separation Agreement provides that, in the event that the transfer or assignment of assets and liabilities to Everett or HPE, as applicable, does not occur prior to the Separation, then until such assets or liabilities are able to be transferred or assigned, Everett or HPE, as applicable, will hold such assets on behalf and for the benefit of the other party and will pay, perform and discharge such liabilities in the ordinary course of business, provided that a party shall not be obligated to expend any money unless the other party advances or agrees to reimburse the necessary funds.

### ***Consents and Delayed Transfers***

The Separation Agreement provides that Everett and HPE will use commercially reasonable efforts to obtain or make any consents, approvals, notifications, substitutions or amendments in connection with the transfer or assignment of any assets or the assumption of any liabilities, or as required to novate or assign obligations under agreements, leases, licenses and other liabilities, or to obtain releases or substitutions such that it and its subsidiaries are solely liable for the liabilities allocated to it under the Separation Agreement. However, except as expressly provided in any ancillary agreement, neither HPE nor Everett will be obligated to contribute any capital or pay any consideration to any person for such consent, approval, notice, registration or other filing, substitution or amendment. The transfer or assignment of assets or the assumption of liabilities, as the case may be, shall be automatically deemed deferred if and to the extent that the valid, complete and perfected transfer or assignment of such assets or the assumption of such liabilities would be a violation of applicable law or require any consents, approvals or notifications that have not been made or obtained at or prior to the Distribution until such time as all legal impediments are removed or such consents, approvals and notifications have been obtained or made. The party retaining such asset will hold such asset in trust for the use and benefit of the other (at such other party's expense) until properly conveyed. The obligations to obtain or make such consents, approvals and notifications will generally terminate 24 months after the Distribution.

### ***Shared Assets and Contracts***

The Separation Agreement provides that HPE and Everett will use their respective commercially reasonable efforts to separate assets and contracts that relate both to the Everett business and HPE's other businesses into separate assets and contracts so that the Everett Group or HPE and its subsidiaries, as applicable, will retain the rights and benefits, and be subject to the liabilities, with respect to or arising from each shared asset or contract to

the extent relating to its business. If any third-party consent to the separation of such asset or contract has not been obtained or the separation has not been completed as of the Distribution, then HPE and Everett will use commercially reasonable efforts to develop and implement arrangements to pass along the benefits and liabilities of the portion of any such shared asset or contracts as relates to the other party's business. These obligations with respect to shared assets and contracts will terminate 24 months after the Distribution. HPE and Everett will share equally any costs relating to separating shared assets and contracts.

### ***Disclaimer of Representations and Warranties***

Except as expressly set forth in the Separation Agreement, the Merger Agreement or any ancillary agreement, neither Everett nor HPE makes any representation or warranty as to the assets, businesses or liabilities transferred or assumed as part of the Separation, the Distribution or the Merger, as to any approvals or notifications required in connection with the transfers or assumptions, as to the value or the freedom from any security interests of any assets of Everett or HPE, as to the absence of any defenses or right of setoff or freedom from counterclaim with respect to any claim or other asset of either Everett or HPE or as to the legal sufficiency of any assignment, document, certificate or instrument delivered under the Separation Agreement, Merger Agreement or any ancillary agreement to convey title to any asset or thing of value. Except as expressly set forth in the Separation Agreement, the Merger Agreement or any ancillary agreement, all assets are transferred on an "as is," "where is" basis and the respective transferees will bear the economic and legal risks that any conveyance will prove to be insufficient to vest in the transferee good or marketable title, free and clear of all security interests, and that any necessary approvals or notifications are not obtained or made or that any requirements of laws or judgments are not complied with.

### ***The Distribution***

In the Distribution, HPE will distribute all of the outstanding shares of Everett common stock to HPE stockholders. The Separation Agreement provides that the Distribution may be effected, at HPE's option, by way of a spin-off, in which HPE would make a pro rata distribution of Everett common stock to HPE stockholders, or a split-off, in which HPE would exchange shares of Everett common stock for shares of HPE common stock. HPE intends to effect the Distribution as a spin-off.

### ***Conditions to the Distribution***

The obligation of HPE to complete the Distribution is subject to the satisfaction or waiver by HPE (subject to the limitation that certain waivers shall also be subject to the prior written consent of CSC) of the following conditions:

- completion of the Separation;
- completion of certain securities law matters, including the filing and effectiveness of a registration statement with respect to the Everett common stock to be distributed;
- the listing of the Everett common stock to be distributed in the Distribution on a nationally recognized securities exchange.
- completion of certain issuances to HPE of Everett common stock and distributions to HPE of cash and securities representing the Everett Debt;
- entry by HPE into a distribution agent agreement with the distribution agent;
- delivery of an opinion, in form and substance acceptable to HPE in its sole discretion, from an independent appraisal firm confirming the solvency and financial viability of HPE after giving effect to the Everett Debt, Everett Payment and the consummation of the Distribution; and
- satisfaction or waiver by the party entitled to the benefit thereof of the conditions to the obligations of the parties to the Merger Agreement to consummate the Merger and complete the other transactions

contemplated by the Merger Agreement (other than those conditions that by their nature are to be satisfied contemporaneously with or immediately following the Distribution).

### ***Cost Structure Protection***

If the annualized cost of performing certain activities identified by the Separation Agreement as “horizontal cost activities,” as calculated as of the Distribution Date, exceeds \$1,200,000,000, then HPE will pay Everett within 120 days after the Distribution Date the excess of such annualized horizontal cost over \$1,200,000,000 and Everett’s reasonable expenses (including projected severance and other restructuring costs) in connection with reducing the total annualized horizontal cost to \$1,200,000,000. Costs for resources substituted or added to support the Everett business at CSC’s written request that would have otherwise been stranded costs for HPE will not be reflected in the calculation of the annualized horizontal cost.

### ***Post-Closing Adjustments***

The Separation Agreement provides for a post-closing adjustment to the extent that the actual amounts of certain cash conversion cycle metrics of Everett and the Everett subsidiaries as of 11:59 pm on the day prior to the Distribution Date is greater or less than specified targets for such metrics, based on the average of such metrics for Everett and its subsidiaries on a combined basis for the twelve months ended April 30, 2016.

If the actual final cash conversion cycle metric exceeds the target metric, then Everett will pay to HPE the excess. If the actual final cash conversion cycle metric is less than the actual final cash conversion cycle metric, then HPE will pay to Everett the amount of such shortfall.

The Separation Agreement also provides for other post-closing adjustments based on cash and cash equivalents, net intercompany payables and receivables, VAT and other sales taxes payable and receivable, accrued payroll and accrued bonus.

### ***Treatment of Intercompany Agreements, Receivables and Payables***

The Separation Agreement provides that all agreements that are between members of the Everett Group, on the one hand, and HPE and its subsidiaries, on the other hand, and that do not involve any third parties will be terminated as of the Distribution, except for the Separation Agreement, the Merger Agreement and the ancillary agreements, certain shared contracts and other arrangements specified in the Separation Agreement. The Separation Agreement provides that all intercompany receivables owed and intercompany payables due solely between members of the Everett Group, on the one hand, and HPE and its subsidiaries, on the other hand, that are in respect of goods or services, are effective or outstanding as of immediately prior to the effective time of the Distribution and are included in the calculation of the post-closing adjustments relating to intercompany receivables and payables will be settled and paid as of the effective time of the Distribution, or as promptly as practicable thereafter, subject to limited exceptions. The Separation Agreement also provides that by the effective time of the Distribution or as soon as possible thereafter, all bank and brokerage accounts owned by a member of the Everett Group will be de-linked from the accounts owned by HPE or any of its subsidiaries, and all bank and brokerage accounts owned by HPE or any of its subsidiaries will be de-linked from the accounts owned by a member of the Everett Group.

### ***Releases***

The Separation Agreement provides that, except as expressly provided in the Separation Agreement, any ancillary agreement or the Merger Agreement, Everett and its affiliates will release and discharge HPE and its affiliates from all liabilities to the extent existing or arising from any acts and events occurring or failing to occur, and any conditions existing, at or prior to the effective time of the Distribution, including in connection with the implementation of the Separation, the Distribution and the Merger. The Separation Agreement provides

that, except as expressly provided in the Separation Agreement, any ancillary agreement or the Merger Agreement, HPE and its affiliates will release and discharge Everett and its affiliates from all liabilities to the extent existing or arising from any acts and events occurring or failing to occur, and any conditions existing, at or prior to the effective time of the Distribution, including in connection with the implementation of the Separation, the Distribution and the Merger.

These releases will not extend to obligations or liabilities under any agreements between the parties that remain in effect following the Separation, which agreements include, among others, the Separation Agreement, the Merger Agreement and the ancillary agreements.

### ***Indemnification***

In the Separation Agreement, Everett agrees to indemnify, defend and hold harmless HPE, each of its subsidiaries and each of their respective directors, officers and employees, from and against all liabilities relating to, arising out of or resulting from:

- any liabilities allocated to the Everett Group;
- the failure of any member of the Everett Group to pay, perform or otherwise promptly discharge any liabilities allocated to Everett, whether prior to, at or after the effective time of the Distribution;
- any guarantee, indemnification obligation, surety bond or other credit support arrangement by HPE or its subsidiaries for the benefit of any member of the Everett Group that survives the effective time of the Distribution, except to the extent related to a liability allocated to HPE or its subsidiaries; and
- any breach by any member of the Everett Group of the Separation Agreement or any of the ancillary agreements (other than the ancillary agreements that expressly contain indemnification provisions, which shall be subject to the indemnification provisions contained therein) or any action by Everett in contravention of its certificate of incorporation or bylaws.

HPE agrees to indemnify, defend and hold harmless each member of the Everett Group and each of its respective directors, officers and employees from and against all liabilities relating to, arising out of or resulting from:

- the liabilities allocated to HPE and its subsidiaries;
- the failure of HPE or any of its subsidiaries, other than members of the Everett Group, to pay, perform or otherwise promptly discharge any of the liabilities allocated to HPE, whether prior to, at or after the effective time of the Distribution;
- any guarantee, indemnification obligation, surety bond or other credit support arrangement by a member of the Everett Group for the benefit of HPE or any of its subsidiaries that survives the effective time of the Distribution, except to the extent related to a liability allocated to a member of the Everett Group; and
- any breach by HPE or any of its subsidiaries of the Separation Agreement or any of the ancillary agreements (other than the ancillary agreements that expressly contain indemnification provisions, which shall be subject to the indemnification provisions contained therein) or any action by HPE in contravention of its certificate of incorporation or bylaws.

The Separation Agreement also establishes procedures with respect to claims subject to indemnification and related matters. Under the Separation Agreement, the amount of any indemnifiable loss will be reduced by any insurance proceeds or similar amounts actually recovered by the indemnified party in respect of the indemnifiable loss.

Indemnification with respect to taxes will generally be governed solely by the Tax Matters Agreement.



### ***Litigation***

Each party to the Separation Agreement will direct the defense or prosecution of litigation solely related to its own business. With respect to litigation in which Everett entities and HPE entities are named and that are related to both parties' businesses, each of Everett and HPE shall be entitled to assume its own defense and shall consult in good faith with each other regarding the management of the defense of such actions. Any other litigation related to both parties' businesses will be managed by the party with the greater financial exposure with respect to the litigation, provided that if an action involves the pursuit of criminal sanctions or penalties or seeks equitable or injunctive relief against any party, that party will be entitled to control the defense of the claim.

### ***Insurance***

Prior to the effective time of the Distribution, Everett and the Everett business will continue to be covered under insurance policies of HPE or the subsidiaries of HPE. Following the effective time of the Distribution, Everett and the Everett business will no longer be covered under the insurance policies of HPE or the subsidiaries of HPE. Everett and the subsidiaries of Everett will have the right to access occurrence-based coverage (to the extent such coverage exists) for claims asserted after the effective time of the Distribution but arising out of an occurrence prior to the effective time of the Distribution, but only to the extent such policies provide such coverage without cost to HPE and its subsidiaries.

### ***Non-Competition***

The Separation Agreement includes non-compete provisions pursuant to which HPE agrees to not engage for two years from the Distribution Date in certain activities that were conducted exclusively by the Everett business immediately prior to the Distribution Date, subject to certain exceptions set forth in the Separation Agreement (e.g., for relatively minor acquisitions or acquisitions of businesses with relatively minor percentages of their revenues from activities conducted exclusively by the Everett business).

Additionally, the Separation Agreement includes non-compete provisions pursuant to which Everett and CSC agree to not engage for two years from the Distribution Date in certain activities that were conducted exclusively by HPE (and not the Everett business) immediately prior to the Distribution Date, subject to certain exceptions set forth in the Separation Agreement (e.g., for relatively minor acquisitions or acquisitions of businesses with relatively minor percentages of their revenues from activities conducted exclusively by HPE (and not the Everett business)).

### ***Further Assurances***

In addition to the actions specifically provided for in the Separation Agreement, each of Everett and HPE agree in the Separation Agreement to use commercially reasonable efforts, prior to, at and for 12 months after the effective time of the Distribution, to take all actions and to do all things reasonably necessary under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by the Separation Agreement and the ancillary agreements.

### ***Expenses***

Except as expressly set forth in the Separation Agreement or in any ancillary agreement, HPE will be responsible for all out-of-pocket fees, costs and expenses of HPE, Everett and any of their subsidiaries incurred in connection with the Separation or the Distribution prior to the effective time, other than the separation expenses that CSC agrees in writing should be reimbursed by Everett to HPE.

### ***Dispute Resolution***

The Separation Agreement contains provisions that govern, except as otherwise provided in certain ancillary agreements, the resolution of disputes, controversies or claims that may arise between Everett and HPE related to

such agreements, the Separation or the Distribution. These provisions contemplate that efforts will be made to resolve disputes, controversies and claims first by escalation of the dispute to senior management of Everett and HPE, before availing themselves of any other remedies. If senior management is unable to resolve a dispute within a specified period, the dispute may be submitted by either party to mediation in accordance with the Separation Agreement. If the parties are unable to resolve the dispute through mediation within a specified period, the dispute may be submitted by either party to binding arbitration in accordance with the Separation Agreement.

### ***Termination***

The Separation Agreement will terminate simultaneously with a valid termination of the Merger Agreement prior to the closing of the Merger. After the effective time of the Distribution, the Separation Agreement may not be terminated except by an agreement in writing signed by both HPE and Everett. In the event of such a termination, neither party, nor any of their respective officers and directors, will have any liability to any person by reason of the Separation Agreement.

### ***Other Matters***

The Separation Agreement also governs, among other matters, access to information, confidentiality, access to and provision of witnesses and records, counsel and legal privileges, and treatment of outstanding guarantees.



## **DEBT FINANCING**

### **Everett Financings**

Prior to the closing of the Distribution, Everett intends to enter into the Term Facility and issue the Notes in an aggregate principal amount of approximately \$3.1 billion. The proceeds of the Term Facility will be used to pay the Everett Payment to HPE and the Notes will be issued to HPE and exchanged by HPE for outstanding senior unsecured notes of HPE.

The anticipated material terms of the Term Facility and the Notes are described below based on our current expectations. There can be no assurance that the Term Facility or the Notes will be finalized on similar terms, or at all.

### **Term Facility**

Everett expects, prior to the closing of the Distribution, to enter into and fund the Term Facility in an aggregate principal amount that it currently expects will be \$1.5 billion. Borrowings under the Term Facility will be used to pay the Everett Payment to HPE. The Term Facility is expected to have customary representations and warranties, affirmative and negative covenants, and events of default for facilities of this type. Up to \$300 million of principal amount of the Term Facility is expected to have a 3-year term, and the balance of the Term Facility is expected to have a 5-year final maturity.

### **Notes**

Everett expects, prior to the closing of the Distribution, to issue to HPE approximately \$1.6 billion in aggregate principal amount of Notes, which will in turn be exchanged by HPE for outstanding senior unsecured notes of HPE pursuant to a debt-for-debt exchange. The Notes will have a term of at least seven years and will be subject to covenants consistent with market practice for comparable issuers. A portion of the Notes may be issued for cash proceeds and used to pay a portion of the Everett Payment to HPE in the event the Term Facility is insufficient to fund the full amount of the Everett Payment.

Depending on market conditions and other factors, the allocation of the Financing between the Term Facility and the Notes may be adjusted.

### **Credit Facility**

On September 29, 2016, Computer Sciences Corporation received commitments to extend the maturity date of the \$2.98 billion Amended and Restated Credit Agreement dated as of October 13, 2013 (the “Credit Agreement”; the senior unsecured revolving credit facility described therein, the “Credit Facility”). As a result, \$2.84 billion of the commitments under Credit Agreement will mature on January 15, 2022, \$70 million of the commitments under the Credit Agreement will mature on January 15, 2021 and \$70 million of the commitments under the Credit Agreement will mature on January 15, 2020.

In connection with entering into the Merger Agreement, CSC entered into a debt financing commitment letter (including the joinder and amendment thereto, the “Debt Commitment Letter”) with certain financial institutions (the “Conditional Lenders”). Pursuant to the Debt Commitment Letter, the Conditional Lenders have committed to provide CSC with, among other financings, an approximately \$3.1 billion senior unsecured bridge facility that may be borrowed by CSC in lieu of the Term Facility and the Notes, \$740 million of incremental commitments under the Credit Facility, the availability of which is conditioned upon the closing of the Merger (the “Conditional Revolver Commitments”). If the conditions thereto are satisfied, and if CSC elects to accept all incremental commitments, the availability of the Conditional Revolver Commitments will result in an increase in the aggregate facility size of the Credit Facility from \$2.98 billion up to \$3.72 billion. The Credit Facility was amended on June 21, 2016 to increase the maximum amount of incremental commitments that can be incurred under the Credit Facility from \$500 million to \$1.5 billion, which results in a maximum potential facility size of \$4.0 billion.

## **ADDITIONAL AGREEMENTS RELATED TO THE SEPARATION, THE DISTRIBUTION AND THE MERGER**

### **EMPLOYEE MATTERS AGREEMENT**

In connection with the Transactions, HPE, Everett and CSC have entered into an Employee Matters Agreement with respect to the transfer of certain employees engaged in the Everett business and related matters, including terms of employment, benefit plan transition and coverage and other compensation and labor matters. This summary is qualified by reference to the complete text of the Employee Matters Agreement, which is incorporated by reference herein and is filed as an exhibit to the registration statement of which this document is a part.

The Employee Matters Agreement provides that:

- The HPE Group generally will be responsible for liabilities associated with employees who have been identified as HPE Group employees (collectively, the “HPE Group Employees”) and liabilities for former employees who primarily served the business of the HPE Group;
- The Everett Group generally will be responsible for liabilities associated with employees who have been identified as Everett Group employees and liabilities for former employees who primarily served the business of the Everett Group; and
- the HPE Group and the Everett Group will each be responsible for 50% of the liabilities associated with former employees who were not primarily serving the business of either the HPE Group or the Everett Group, including former global function employees.

Notwithstanding the general rule described above:

- The HPE Group will retain all U.S. defined benefit pension plan and subsidized retiree medical liabilities in the U.S. for all former employees, HPE Group Employees and Everett Group employees. Pension assets and liabilities and subsidized retiree medical liabilities in non-U.S. jurisdictions are allocated on a jurisdiction by jurisdiction basis. HPE and CSC agreed to a net amount of pension assets and liabilities and subsidized retiree medical liabilities in non-U.S. jurisdictions that Everett will retain. See “Risk Factors—Risks Related to the Combined Company, After the Transactions—Everett will assume certain material pension benefit obligations associated with Everett employees. These liabilities and the related future funding obligations could restrict cash available for operations of the combined company, capital expenditures and other requirements, and may materially adversely affect the financial condition and liquidity of the combined company.”
- The HPE Group will retain all liabilities relating to the IRG programs for all former employees and HPE Group employees and the Everett Group will retain all liabilities relating to the IRG programs for all Everett Group employees.
- The HPE Group will retain all liabilities relating to the Global Retirement Supplement for all HPE Group employees and the Everett Group will retain all liabilities relating to the Global Retirement Supplement for all Everett Group employees.
- The HPE Group will retain all liabilities relating to the HPE Group’s 401(k) plan for all former employees, HPE Group employees and Everett Group employees. CSC will establish or maintain a 401(k) plan for the benefit of Everett Group employees, effective no later than the effective time of the distribution.
- Following the closing date of the Merger, the combined company will provide each Everett employee with an annual base salary and target annual cash incentive compensation opportunities that are, in the aggregate, comparable to the annual base salary and target annual cash incentive compensation opportunities provided to similarly situated employees of CSC. Following the Closing Date, the

combined company will provide each Everett employee benefits (with certain exclusions including defined benefit pension benefits and retiree medical or insurance benefits) that are comparable to, and severance benefits that are no less favorable than, those provided to similarly situated employees of CSC.

- The combined company will establish or designate health and welfare plans for the benefit of all Everett Group employees, as of the effective time of the distribution. HPE will provide health and welfare coverage to Everett Group employees who are unable to enroll in the CSC health and welfare plans as of the effective time of the distribution until the first available entry point for Everett Group employees in such plans, such time period not to extend farther than December 31, 2017, with CSC reimbursing HPE for the cost of such coverage.
- The combined company will establish or make available to Everett Group employees a nonqualified deferred compensation plan, and the HPE Group will transfer to such plan accounts of current and former Everett Group employee participants in HPE's Executive Deferred Compensation Plan.
- The HPE Group will be solely responsible for determining the amount of, and paying, all awards due to be paid to former employees and HPE Group Employees who were participants in the HPE Group incentive plans at the time of separation from employment, and the Everett Group will be responsible for determining, subject to the reasonable approval of CSC, the amount, and paying, of all awards due to be paid to former employees and Everett Group employees who were participants in the Everett Group incentive plans at the time of separation from employment.

The Employee Matters Agreement also provides, in general, for the conversion of each outstanding HPE Group equity award held by Everett Group employees and each outstanding CSC equity award held by CSC employees into an adjusted award relating to Everett common shares. Specifically:

- Each outstanding HPE award of options (including performance-contingent options), stock appreciation rights, restricted stock units, performance-adjusted restricted stock units and accounts consisting of dividend equivalent units relating to HPE common stock granted under HPE's 2015 Stock Incentive Plan and held by Everett Group employees will be converted into an adjusted award relating to Everett common shares and shall otherwise be subject to the same terms and conditions after the Merger as the terms and conditions applicable to such awards immediately prior to the Merger.
- Each outstanding CSC award of options, stock appreciation rights, restricted stock units and performance share units relating to CSC common stock granted under CSC's 2011 Omnibus Incentive Plan and held by CSC employees will be converted into an adjusted award relating to Everett common shares and shall otherwise be subject to the same terms and conditions after the Merger as the terms and conditions applicable to such awards immediately prior to the Merger.

## **TAX MATTERS AGREEMENT**

Everett and HPE will enter into a tax matters agreement that will govern the parties' respective rights, responsibilities and obligations with respect to taxes (including taxes arising in the ordinary course of business and taxes, if any, incurred as a result of any failure of the Distribution and certain related transactions to qualify for their intended tax treatment), tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings, and assistance and cooperation in respect of tax matters. This summary is qualified by reference to the complete text of the form of the tax matters agreement, which is incorporated by reference and is filed as an exhibit to the registration statement of which this document is a part.

In general, under the agreement:

- HPE will be responsible for (i) any US federal income taxes imposed on HPE's consolidated group for any period, (ii) any US federal, state, local or foreign taxes (and any related interest, penalties or audit adjustments) imposed on Everett and/or any of its subsidiaries (excluding CSC and its subsidiaries) for

any tax period or portion thereof ending on or prior to the date of the Distribution, (iii) certain transaction and transfer taxes arising from the Contribution, the Distribution and certain related transactions and (iv) any taxes resulting from a breach by HPE of any covenant set forth in the Tax Matters Agreement or other transaction document; and

- Everett will be responsible for (i) any US federal, state, local or foreign taxes (and any related interest, penalties or audit adjustments) imposed on Everett and/or any of its subsidiaries for any period or portion thereof beginning after the date of the Distribution and (ii) any taxes resulting from a breach by Everett of any covenant set forth in the Tax Matters Agreement or other transaction document.

Neither party's obligations under the agreement will be limited in amount or subject to any cap.

The agreement will also assign responsibilities for administrative matters, such as the filing of returns, payment of taxes due, retention of records and conduct of audits, examinations or similar proceedings. In general, in the case of any tax contest with respect to any tax return, the party that would be primarily liable under the Tax Matters Agreement to pay the applicable tax authority the taxes resulting from such tax contest will administer and control such tax contest. In addition, the agreement provides for cooperation and information sharing with respect to tax matters.

The Tax Matters Agreement will also impose certain restrictions on CSC, Everett and its subsidiaries with respect to actions that could cause the Distribution and certain related transactions to fail to qualify for their intended tax treatment. Such restrictions include, without limitation, restrictions on share issuances, certain debt issuances, business combinations, transactions (other than the Merger) that would (when combined with certain other transactions or changes in ownership of Everett stock) have the effect of causing one or more persons to acquire stock (directly or indirectly) comprising 40 percent or more the vote or value of all outstanding shares of Everett stock, sales of assets, partial and full liquidations, the cessation of the active conduct of certain businesses, amendments of organizational documents, actions that affect the voting rights of Everett stock, share redemptions and repurchases, and certain other actions that could adversely affect the intended tax treatment of the Distribution and certain related transactions. The Tax Matters Agreement will provide special rules that allocate tax liabilities in the event the Distribution and certain related transactions fail to qualify for their intended tax treatment. In general, under the Tax Matters Agreement, each party is expected to be responsible for any taxes imposed on HPE or Everett that arise from (i) the failure of the Distribution, together with certain related transactions, to qualify as a transaction that is generally tax-free, for U.S. federal income tax purposes, under Sections 355 and 368(a)(1)(D) and certain other relevant provisions of the Code, or (ii) the failure of certain other related transactions consummated in connection with HPE's internal restructuring to qualify for their intended tax treatment, in each case, to the extent that the failure to so qualify is attributable to certain actions (or inactions) of, or certain events relating to, such party or certain persons related to such party. To the extent that the failure to qualify is not so attributable, such taxes will generally be the responsibility of HPE.

The Tax Matters Agreement is binding on and will inure to the benefit of any successor to any of the parties of the Tax Matters Agreement to the same extent as if such successor had been an original party to the Tax Matters Agreement.

## **IP MATTERS AGREEMENT**

HPE, Hewlett Packard Enterprise Development LP (together with HPE, "HPE Grantors") and Everett will enter into an IP Matters Agreement in respect of certain intellectual property (including patents, trademarks and domain names) and certain technology (including software and related copyrights) used in the current conduct of the Everett business. Pursuant to the IP Matters Agreement, HPE Grantors will transfer to Everett patents, registered trademarks and registered copyrights, and applications for any of the foregoing, and domain names owned by the HPE Grantors or any other members of the HPE Group that are listed on exhibits to the IP Matters Agreement, and software, unregistered trademarks and trade secrets owned by the HPE Grantors or any other members of the HPE

Group that are used exclusively in the current conduct of the Everett Business. Such transferred intellectual property will be transferred to Everett subject to any pre-existing (i) non-exclusive licenses and (ii) portfolio-wide patent cross-licenses or other commercial arrangements, in each case, that are granted in the ordinary course and are not material to the Everett business. HPE Grantors will also transfer to Everett certain specified agreements that grant third parties rights in such transferred intellectual property. Everett will grant back to the HPE Group a perpetual, nonexclusive, fully paid up, royalty-free, generally nontransferable and nonsublicensable license to the patents and patent applications included in such transferred intellectual property to conduct HPE's retained businesses as conducted prior to the Distribution Date and natural evolutions thereof.

HPE Grantors will grant to Everett a nonexclusive, fully paid up, royalty-free, generally nontransferable and generally nonsublicensable license:

- to patents and patent applications owned by the HPE Group to conduct the Everett business as conducted prior to the Distribution Date and natural evolutions thereof. Everett may sublicense its rights under this patent license to certain specified spin-offs or other divestments of CSC's or Everett's business (including the public sector business) (collectively, "Permitted Transferees");
- on a worldwide basis, to internally use and modify software that is owned by or licensed to any member of the HPE Group, is used in the conduct of the Everett business and in the possession of the Everett business prior to the Distribution Date and is not made commercially available by the HPE Group, solely for purposes of developing, maintaining or supporting Everett's products and services. Everett may sublicense its rights to subsidiaries, Permitted Transferees and certain specified vendors and contractors; provided that, any such software that is licensed by the applicable member of the HPE Group from a third party will be sublicensed to Everett only if such software (i) is sublicensable to Everett within the scope of the license granted to the applicable member of the HPE Group without, (a) breaching any obligation owed to such third party, (b) requiring any consent from such third party or (c) incurring any obligation to make any payment or pay other consideration to such third party and (ii), in the case of software used to provide information technology-related infrastructure for an enterprise, is used by the Everett business directly to provide commercial products or services to customers or related to the development of such products or services;
- on a worldwide basis, to internally use and modify trade secrets (excluding source code) that are owned by the HPE Group and used in the conduct of the Everett business and in the possession of the Everett business prior to the Distribution Date, solely for developing, maintaining or supporting Everett's products and services being provided as of the Distribution Date and natural evolutions thereof. Everett may not sublicense its rights under this trade secret license; and
- to distribute or otherwise make available, in object code form, software that is owned by or licensed to any member of the HPE Group to the extent such software is incorporated in Everett's products and services (excluding internal use software) as of the Distribution Date and natural evolutions thereof. Everett may sublicense its rights under this distribution license to Permitted Transferees, distributors and customers.

Each license and permitted sublicense expressly excludes CSC's pre-existing products and services. With respect to software that is made commercially available by the HPE Group, HPE Grantors will use good faith efforts to enter into standard customer or other commercial arrangements with Everett or its customers. With respect to software owned by or licensed to any member of the HPE Group, HPE Grantors have no obligation to provide source code, documentation, support, updates or upgrades.

The IP Matters Agreement prohibits either party from assigning the IP Matters Agreement without consent from the non-assigning party, except (x) an assignment by Everett to CSC and (y) an assignment by Everett or CSC to a public sector business spin-off, in each case, in whole and on a one-time basis only. CSC may not further assign the IP Matters Agreement other than in connection with a merger, consolidation, or sale of all or substantially all of CSC's assets or businesses.

## **TRANSITION SERVICES AGREEMENT**

Everett and HPE will enter into a transition services agreement pursuant to which HPE and its subsidiaries and Everett and its subsidiaries will provide, on an interim, transitional basis, various services to each other. The services that will be provided under the agreement will be described in service schedules attached to the agreement. The charges for the services will be determined on a cost-plus basis. The recipient will also pay any exit and stranded costs associated with the provision of services on a pro rata basis over the applicable service duration.

The transition services agreement will terminate on the last date on which either party is obligated to provide any service to the other party, which will generally be up to nine months following the Distribution Date. The recipient will have the opportunity to extend the duration of a particular service under the Transition Services Agreement for two extension periods of three months each, subject to specified exceptions. The provider or recipient of a particular service will generally be able to terminate that service prior to the scheduled expiration date in the event of the other party's uncured material breach with respect to such service, and the recipient of a particular service may terminate such service for convenience, subject to a specified minimum notice period and, in the case of certain services, payment of any termination charges specified in the applicable service schedule. Termination is subject to the recipient's payment of any unpaid exit and stranded costs and other termination costs payable by the provider solely as a result of the early termination.

The cumulative liability of each party under the transition services agreement will be limited to the aggregate charges paid to such party in connection with the provision of the services to the other party under the agreement, except for such party's liability with respect to payment of charges, breaches of confidentiality obligations, its gross negligence or willful misconduct, or third-party claims for which it is required to indemnify the other party. The agreement will include a waiver of any special, indirect, incidental, punitive or consequential damages, except where such damages arise from breaches of confidentiality obligations or in the case of gross negligence or willful misconduct.

## **REAL ESTATE MATTERS AGREEMENT**

Everett and HPE will enter into a Real Estate Matters Agreement pursuant to which HPE will transfer to or share with Everett certain leased and owned property, and Everett will transfer to or share with HPE certain leased and owned property. The Real Estate Matters Agreement describes the manner in which the specified leased and owned properties are transferred or shared, including the following types of transactions: (i) conveyances to Everett of specified properties that HPE owns; (ii) conveyances to HPE of specified properties that Everett owns; (iii) leases to Everett of portions of specified properties owned by HPE; (iv) leases to HPE of portions of specified properties owned by Everett; (v) assignments of HPE's leases for specified leased properties to Everett; (vi) assignments of Everett's leases for specified leased properties to HPE; (vii) subleases to Everett of portions of specified properties leased by HPE (at the same rate paid by HPE to the lessor of the applicable property); and (viii) subleases to HPE of portions of specified properties leased by Everett (at the same rate paid by Everett to the lessor of the applicable property). The Real Estate Matters Agreement describes the leased and owned property transferred or shared for each type of transaction.

## **INFORMATION TECHNOLOGY SERVICES AGREEMENT**

HPE and Everett intend to enter into an information technology service agreement pursuant to which Everett and its affiliates will provide certain IT outsourcing services to HPE.

## **PREFERRED VENDOR AGREEMENTS**

HPE and Everett intend to enter into certain preferred vendor agreements pursuant to which HPE and its affiliates will provide certain hardware and software products and technology services to Everett.



## INFORMATION ABOUT CSC

### CSC Overview

CSC was founded in 1959 and incorporated in the state of Nevada and is listed on the New York Stock Exchange under the symbol “CSC.”

CSC is a next-generation global provider of IT services and solutions. CSC helps lead its clients through their digital transformations to meet new business demands and customer expectations in a market of escalating complexity, interconnectivity, mobility, and opportunity. CSC’s strategy is to lead its clients on their digital journey with a new generation of offerings by leveraging partners, industry IP and domain expertise across the globe. CSC strives to be a trusted IT partner through providing next-generation IT services which include applications modernization, cloud infrastructure, cyber security, big data and mobility.

For a more detailed description of CSC’s business, see CSC’s quarterly report on Form 10-Q for the quarterly period ended July 1, 2016 and CSC’s annual report on Form 10-K for the fiscal year ended April 1, 2016, which is incorporated by reference in this proxy statement/prospectus-information statement.

### Business After the Merger

The combination of the Everett business with CSC’s existing business is intended to create the number one independent, end-to-end IT services firm in the world, uniquely positioned to lead clients on their digital transformations. The new company is expected to have annual revenues of \$26 billion and more than 5,000 clients in 70 countries, covering every major global region.

CSC expects the Transactions to have the following strategic benefits:

- *Increased scale and diversification.* The Merger will result in a combined company with increased scale, operating 85 delivery centers and 95 data centers across 70 countries, providing access to the most efficient IT services in the world.
- *Complementary Market Access and Capabilities.* The Everett business will contribute complementary market access and capabilities, including the experience that the management and employees of the Everett business will bring to the combined company in financial services, healthcare and life sciences, transportation, consumer products, and insurance.
- *Synergies.* The Merger is expected to produce first-year synergies of approximately \$1.0 billion post-close, with a run rate of \$1.5 billion by the end of year one.
- *Improved Financial Profile.* The Merger is expected to result in enhanced EBITDA margins and revenue growth opportunities for the combined company with strong free cash flow.

The foregoing description of CSC’s business and the Everett business after the Merger includes certain forward-looking statements. Future activities could be affected by a number of factors, uncertainties and risks. See “Cautionary Statement Regarding Forward-Looking Statements” and “Risk Factors” discussed earlier in this proxy statement/prospectus-information statement.

### The Combined Company’s Liquidity and Capital Resources After the Consummation of the Merger and other Transactions

As of July 1, 2016, CSC had current assets of \$3.4 billion, total assets of \$8.9 billion, current liabilities of \$2.8 billion, net working capital of \$641 million, and long-term debt, net of current maturities of \$2.5 billion. Following the consummation of the Merger and other Transactions, CSC’s total assets and liabilities will increase significantly.

As of July 1, 2016, on a pro forma basis (as described in “Unaudited Pro Forma Condensed Combined Financial Information”), the combined company would have had current assets of \$8.0 billion, total assets of \$28.0 billion, current liabilities of \$6.8 billion, net working capital of \$1.1 billion, and long-term debt, net of current portion, of \$6.9 billion. CSC’s cash from operations was \$802 million for the twelve months ended April 1, 2016, as compared to cash used in operations of \$18 million for the three months ended July 1, 2016. CSC also expects its cash from operations to increase significantly as a result of the consummation of the Merger and other Transactions and the integration of Everett.

The combined company expects that the merger of Everett with CSC will produce first-year synergies of approximately \$1.0 billion post-close, with a run rate of \$1.5 billion by the end of year one.

CSC expects to incur significant, one-time costs, some of which will be capitalized, in connection with the Merger and other Transactions, including approximately \$142 million of financing and transaction costs. The financing fees and transaction-related costs not already incurred are expected to be incurred during fiscal 2017 and will be funded from cash on hand. No assurances of the timing or amount of synergies able to be captured, or the costs necessary to achieve those synergies, can be provided.

Prior to the consummation of the spin-off of Everett, Everett expects to incur new indebtedness in the form of term loans and senior notes, which will be used to finance the Everett Payment cash distribution to HPE and issued in exchange to retire senior notes indebtedness at HPE. The obligations incurred by Everett along with other pre-existing indebtedness will be assumed by the combined company.

The following table summarizes, as of April 1, 2016, the combined company’s pro forma contractual obligations to make future payments pursuant to certain contracts or arrangements (including the proposed new indebtedness to be incurred by the combined company in connection with the Merger and other Transactions, as described in more detail under “Debt Financing”) and provides an estimate of the fiscal years in which these obligations are expected to be satisfied (in millions). Since Everett’s fiscal year ended on October 31, 2015, the Everett amounts included in the below table are as of that date. The comparable Everett amounts as of April 1, 2016 are not believed to be materially different from the amounts determined as of October 31, 2015, except as described below for debt and capital leases (in millions):

<b>Pro Forma Contractual Obligations</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>2-3 years</b>	<b>4-5 years</b>	<b>More than 5 years</b>
Existing CSC and assumed Everett long-term debt (including current portion) <sup>(1)</sup> . . . . .	\$ 2,376	\$ 127	\$ 377	\$ 997	\$ 875
Existing CSC and assumed Everett interest <sup>(2)</sup> . . . . .	484	63	114	104	203
Proposed new long-term debt of the combined company (including current portion) . . . . .	3,055	60	420	1,020	1,555
Interest on proposed new long-term debt of the combined company . . . . .	726	101	199	181	245
Capital lease obligations <sup>(3)</sup> . . . . .	1,402	579	641	179	3
Operating lease obligations . . . . .	2,999	1,033	1,239	437	290
Minimum purchase obligations . . . . .	2,953	615	1,166	702	470
Total contractual obligations . . . . .	<u>\$13,995</u>	<u>\$2,578</u>	<u>\$4,156</u>	<u>\$3,620</u>	<u>\$3,641</u>

(1) Includes scheduled principal payments of CSC’s existing long-term debt and mandatory redemption of preferred stock of a consolidated subsidiary. Excludes payments related to capitalized leases. Also includes principal cash payments relating to Everett’s assumed long-term debt and does not include any fair value adjustments, discounts or premiums. Excludes credit facility borrowings CSC made during the first quarter of 2017.

(2) Includes scheduled interest payments on CSC’s existing long-term debt and scheduled dividend payments associated with the mandatorily redeemable cumulative preferred stock outstanding. Also includes scheduled interest payments on Everett’s existing long-term debt.



- (3) HPE is contractually required to reduce or modify Everett's existing capital lease arrangements with HPE Financial Services to a contractually agreed upon amount, provided however, that capitalized lease obligations with terms that will expire prior to March 31, 2019 shall not be counted for purposes of this calculation. For more information see "Separation and Distribution Agreement" in the accompanying proxy statement/prospectus-information statement.

The liability related to unrecognized tax benefits has been excluded from the table because a reasonable estimate of the timing and amount of cash outflows from future tax settlements (excluding the amounts expected to be paid within the next twelve months as disclosed in the notes to the CSC and Everett financial statements, respectively) cannot be determined.

CSC has included signed long-term purchase agreements with certain software, hardware, telecommunication and other service providers to obtain favorable pricing, committed service levels and terms for services necessary for the operation of business activities within the category labeled "Minimum purchase obligations" noted above. The combined company is contractually committed to purchase specified service minimums over remaining periods ranging generally from one to four years. If the combined company does not meet the specified service minimums, the combined company may have an obligation to pay the service provider a portion of or the entire shortfall.

CSC contributed \$3 million to the defined benefit pension plans and other post-retirement benefit plans during the first three months of fiscal 2017. CSC expects to contribute an additional \$66 million during the remainder of fiscal 2017. The combined company has not yet quantified expected contributions beyond fiscal 2017 because Everett is in the midst of finalizing negotiations with the Trustees of its various defined pension plans in anticipation of the Separation. During fiscal 2016, pension and other pension benefits contributions for CSC amounted to \$21 million, a decrease of \$25 million from \$46 million in fiscal 2015.

As of July 1, 2016, on a pro forma basis, the combined company anticipates that its primary sources of liquidity for working capital and operating activities, including any future acquisitions, will be cash from operations, cash on hand, and availability under CSC's existing \$3.0 billion revolving credit facility, which commitments are expected to increase to \$3.7 billion upon consummation of the Merger. The combined company expects that these sources of liquidity will be sufficient to make required payments of interest and principal on the outstanding debt and to fund working capital and capital expenditure requirements, including the one-time costs relating to the Merger and other Transactions. The combined company expects that it will be able to comply with the financial and other covenants of its existing debt.

For more information on Everett's and CSC's existing sources of liquidity, See the section of this document entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations of Everett" and the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in CSC's Annual Report on Form 10-K for the twelve months ended April 1, 2016 and Quarterly Report on Form 10-Q for the three-month period ended July 1, 2016, which are filed with the SEC and incorporated by reference in this proxy statement/prospectus-information statement. See "Where You Can Find Additional Information."

## **Directors and Executive Officers of CSC Before the Merger**

### ***Board of Directors***

The CSC Board of Directors currently consists of nine directors. Listed below is the biographical information for each person who is currently a member of the CSC Board of Directors:

**Mukesh Aghi**, age 60, Director since 2015. Mr. Aghi is president of U.S.-India Business Counsel, a business advocacy organization for the U.S. in India. Prior to his service as president of USIBC, Mr. Aghi served as Chief Executive Officer of L&T Infotech from 2012 to 2015 and as Chairman and CEO of Steria India Ltd. from 2007 to 2012.

**Herman E. Bulls**, age 60, Director since 2015. Mr. Bulls has served in various roles at Jones Lang LaSalle (“JLL”) since 1989, including Chief Executive Officer, Public Institutions, and Chairman, Public Institutions. Currently, Mr. Bulls serves as Vice Chairman, Americas at JLL. Mr. Bulls has served as a director of Comfort Systems USA, Inc. since 2001 and of Tyco International Ltd. since 2013, and served as a director of Exelis, Inc. from 2011 to 2015.

**Bruce Churchill**, age 58, Director since 2014. Mr. Churchill assumed the role of Lead Independent Director of the CSC Board of Directors on December 15, 2015. Mr. Churchill served as the Executive Vice President of DIRECTV, President of DIRECTV Latin America LLC and as President-New Enterprises from January 2004 to August 2015. He served as Chief Financial Officer of DIRECTV from January 2004 to March 2005. Prior to joining DIRECTV, Mr. Churchill served as President and Chief Operating Officer of STAR, a position he held beginning in May 2000. Previously, he served as the Deputy Chief Executive Officer of STAR since 1996. Prior to joining STAR, Mr. Churchill served as Senior Vice President, Finance at Fox Television.

**Sachin Lawande**, age 49, Director since 2015. Mr. Lawande is currently President and Chief Executive Officer of Visteon Corporation. From 2013 to 2015, Mr. Lawande served as Executive Vice President and President of Harman International Industries, Inc.’s Infotainment Division. From 2011 to 2013, Mr. Lawande served the dual role as the Co-President of Harman’s Lifestyle and Infotainment Divisions. Prior to that he served as Chief Innovation Officer, Chief Technology Officer, and Co-President of Harman’s Automotive Division, responsible for guiding software strategy, development partnerships, and key customer relationships. He was instrumental in launching an offshore development center in India as part of Harman’s strategy for optimizing its global engineering footprint. Mr. Lawande joined Harman International in 2006, following senior roles at QNX Software Systems and 3Com Corporation.

**J. Michael Lawrie**, age 63, President and Chief Executive Officer of CSC; Chairman of the CSC Board of Directors. Mr. Lawrie became a member of the CSC Board of Directors on February 7, 2012, President and Chief Executive Officer of CSC on March 19, 2012, and Chairman of CSC on December 15, 2015. Prior to joining CSC, he served as Chief Executive Officer of UK-based Misys plc, a leading global IT solutions provider to the financial services industry, from November 2006 to March 2012. From 2008 to 2010, Mr. Lawrie also served as the Executive Chairman of Allscripts-Misys Healthcare Solutions, Inc., an industry leader in electronic health record solutions. Prior to that, Mr. Lawrie was a general partner with ValueAct Capital, a San Francisco-based private investment firm, from 2005 to 2006. He served as Chief Executive Officer of Siebel Systems, Inc., an international software and solutions company, from 2004 to 2005. Previously, Mr. Lawrie spent 27 years with IBM where he held various leadership positions, including Senior Vice President and Group Executive, responsible for sales and distribution of all IBM products and services worldwide; General Manager for operations in Europe, the Middle East and Africa; and General Manager of Industries for the Asia Pacific. Mr. Lawrie is the former lead independent, non-executive Director of Juniper Networks, Inc., and is also a Trustee of Drexel University, Philadelphia.

**Brian Patrick MacDonald**, age 50, Director since 2013. Brian MacDonald has served as the President and CEO of CDK Global, Inc. since January 2016. He served as the Chief Executive Officer of Hertz Equipment Rental Corporation (“HERC”) from June 2014 to June 2015. Prior to HERC, he served as President and Chief Executive Officer of ETP Holdco Corporation from October 2012 to June 2013. Prior to Energy Transfer Partners’ acquisition of Sunoco, Inc., in October 2012, Mr. MacDonald served as Chairman, President and Chief Executive Officer of Sunoco, Inc., a leading logistics and retail company based in Philadelphia, PA. He joined Sunoco in August 2009 as Senior Vice President and Chief Financial Officer. Prior to joining Sunoco, he was Chief Financial Officer for Dell’s commercial business unit. Before becoming the commercial business unit’s CFO in 2008, he served as Corporate Vice President and Treasurer and led Dell’s mergers and acquisitions organization and global treasury group. Prior to joining Dell, Mr. MacDonald worked at General Motors Corporation and held a variety of positions in financial management, including Deputy CFO for Isuzu Motors Limited. From 1998 to 2000, he served as Treasurer of GM Canada.

**Peter Rutland**, age 37, Director since 2015. Mr. Rutland is currently a partner and Global Co-Head of Financial Services at CVC Capital Partners. Mr. Rutland joined CVC Capital Partners in 2007, having previously worked for Advent International since 2002. Prior to working at Advent, Mr. Rutland worked for The Goldman Sachs Group, Inc. in its Investment Banking Division. Mr. Rutland served as a director of the NYSE-listed Avolon Holdings Ltd. from 2014 until the company's sale in 2016. He has also served on a number of private company boards, including Domestic & General and Brit Insurance.

**Robert F. Woods**, age 61, Director since 2015. Mr. Woods served as Senior Vice President—Finance and Chief Financial Officer of SunGard Data Systems, Inc., a financial software solutions and services public company, from 2010 to 2012. Prior to that, from 2004 to 2009, Mr. Woods served as Senior Vice President and Chief Financial Officer of IKON Office Solutions, Inc., a document management systems and services public company. Mr. Woods served as a director of Insight Enterprises, Inc. from 2009 to 2011.

**Lizbeth H. Zlatkus**, age 57, Director since 2016. Ms. Zlatkus has served as a member of the Boston Private's Board of Directors since July 2015. Ms. Zlatkus also serves as a Director on the Board of Legal & General Group ("FTSE 100"), which she joined in December 2013. She has served on the Pennsylvania State University Business School Board since September 2003 and has served on the Connecticut Science Center Trustee Board since December 2010. Ms. Zlatkus held many senior leadership positions during her tenure at The Hartford Financial Services Group from 1983 to 2011. These included her role as Chief Financial Officer and Chief Risk Officer of the Firm, as well as Co-President of Hartford Life Insurance Companies. Ms. Zlatkus was selected as an Alumni Fellow of The Pennsylvania State University in 2003.

#### ***Executive Officers***

Listed below is the biographical information for each person who is currently an executive officer of CSC:

**J. Michael Lawrie**, age 63, *Chairman, President and Chief Executive Officer*. Mr. Lawrie joined CSC as President and Chief Executive Officer on March 19, 2012 and as a member of its Board of Directors in February 2012. On December 15, 2015, Mr. Lawrie was appointed chairman of the CSC Board of Directors. Prior to joining CSC, he served as the Chief Executive Officer of U.K.-based Misys plc, a leading global IT solutions provider to the financial services industry, from November 2006 to March 2012. Mr. Lawrie also served as the Executive Chairman of Allscripts-Misys Healthcare Solutions, Inc., from October 2008 to August 2010. From 2005 to 2006, Mr. Lawrie was a general partner with ValueAct Capital, a San Francisco-based private investment firm. He also served as Chief Executive Officer of Siebel Systems, Inc., an international software and solutions company, from 2004 to 2005. Mr. Lawrie also spent 27 years with IBM where he rose to Senior Vice President and Group Executive, responsible for sales and distribution of all IBM products and services worldwide. From 1998 to 2001, Mr. Lawrie was General Manager for IBM's business in Europe, the Middle East and Africa, which included operations in 124 countries and 90,000 employees. Prior to that, Mr. Lawrie served as General Manager of Industries for IBM's business operations in Asia Pacific, based in Tokyo. Mr. Lawrie is a Trustee of Drexel University, Philadelphia.

**Paul Saleh**, age 59, *Executive Vice President and Chief Financial Officer*. Mr. Saleh joined CSC as Vice President and Chief Financial Officer on May 23, 2012. His current CSC job title is Executive Vice President and Chief Financial Officer. Prior to joining the Company, Mr. Saleh served as the Chief Financial Officer of Gannett Co. from 2010 to 2012. Prior to his tenure at Gannett Co., from 2008 to 2010, Mr. Saleh was a Managing Partner at Menza Partners, an operational and financial advisory group focusing on media, telecommunications, and technology industries. Prior to that, he served as Chief Financial Officer of Sprint Nextel Communications from 2001 to 2007 and as Interim Chief Executive Officer of Sprint Nextel until 2008. He served as Senior Vice President and Chief Financial Officer of Walt Disney International where he also held various other senior positions from 1997 to 2001.

**William L. Deckelman, Jr.**, age 58, *Executive Vice President, General Counsel and Secretary*. Mr. Deckelman was appointed Executive Vice President, General Counsel and Secretary in August 2014.

Mr. Deckelman joined CSC in January 2008 and served as Vice President, General Counsel and Secretary from 2008 to 2012, and as Executive Vice President and General Counsel from 2012 to August 2014. Prior to joining CSC, Mr. Deckelman served as Executive Vice President and General Counsel of Affiliated Computer Services Inc., since March 2000, and served as a director from 2000 to 2003, holding various executive positions there since 1989.

***Stephen Hilton, age 46, Executive Vice President and General Manager, Global Infrastructure Services.*** Mr. Hilton is the Executive Vice President and General Manager, Global Infrastructure Services. He joined CSC in March 2015. Prior to joining CSC, from 2006 to 2014, Mr. Hilton served as Managing Director and Chief Information Officer, Technology Infrastructure Services, and as Head of Corporate Real Estate & Services at Credit Suisse. Prior to his tenure at Credit Suisse, Mr. Hilton served from 2003 to 2006 in an Information Technology leadership role at JP Morgan Chase. Prior to that, from 1996 to 2003, Mr. Hilton worked at CSC as a service delivery executive, technical architect and business development/sales director and was based in London, Singapore and New York.

***James R. Smith, age 49, Executive Vice President and General Manager, Global Business Services.*** Mr. Smith is the Executive Vice President and General Manager, Global Business Services. He joined CSC in August 2013. Prior to joining CSC, Mr. Smith served as Chief Executive Officer of Motricity, a provider of cloud-based mobile enterprise and analytics solutions from 2009 to 2012. Prior to that, he held various executive leadership positions at Avaya from 2001 to 2008. Prior to that, he was an Associate Partner at Accenture.

## **Directors and Executive Officers of Everett After the Merger**

### ***Board of Directors***

In connection with the Transactions, effective at the time of closing of the Merger, the size of the Everett Board of Directors will be increased to ten directors, including five current CSC board members (one of whom shall be CSC's current Chairman and Chief Executive Officer) and five individuals designated by HPE (one of whom is expected to be HPE's Chief Executive Officer). All Everett directors are expected to be identified pursuant to a joint selection process led by a four person committee consisting of Margaret C. Whitman, HPE's Chief Executive Officer, and Patricia F. Russo, Chairman of HPE's Board of Directors, as well as J. Michael Lawrie, CSC's Chairman, President and Chief Executive Officer, and Peter Rutland, another member of the CSC Board of Directors. See "The Transaction Agreements—The Merger Agreement—Post-Closing Everett Board of Directors." Such joint transition committee is in the process of identifying the continuing members of the CSC Board of Directors and the individuals whom HPE will designate for appointment to the CSC Board of Directors upon the consummation of the Merger, and details regarding these individuals will be provided when available.

### ***Executive Officers***

J. Michael Lawrie, CSC's Chairman, President and Chief Executive Officer, will resign from his position with CSC and will become the Chairman, President and Chief Executive Officer of Everett immediately following the Merger. Paul N. Saleh, CSC's Executive Vice President and Chief Financial Officer, will resign from his position with CSC and will become the Executive Vice President and Chief Financial Officer of Everett immediately following the Merger. The members of management of Everett following the Merger will be determined by Mr. Lawrie. Mr. Lawrie is in the process of identifying the executive officers of Everett immediately following the consummation of the Merger, and details regarding these individuals will be provided when available.

## INFORMATION ABOUT HPE

HPE, a Delaware corporation formed in 2015, has its principal executive offices at 3000 Hanover Street, Palo Alto, California 94304.

HPE is a leading global provider of the cutting-edge technology solutions customers need to optimize their traditional IT while helping them build the secure, cloud-enabled, mobile-ready future that is uniquely suited to their needs. HPE conducts its business through its Enterprise Group, Software, Enterprise Services, Financial Services and Corporate Investments segments. The Enterprise Group provides a broad portfolio of enterprise technology solutions to address customer needs in building the foundation for the next generation of applications, web services and user experiences. The Software portfolio provides big data analytics and applications, enterprise security, application testing and delivery management and IT operations management solutions for businesses and other enterprises of all sizes. Enterprise Services, which is proposed to be spun off with Everett and merged with CSC in the Merger, provides technology consulting, outsourcing and support services across infrastructure, applications and business process domains in traditional and Strategic Enterprise Service offerings which includes analytics and data management, security and cloud services. Financial Services provides flexible investment solutions for HPE's customers—such as leasing, financing, IT consumption and utility programs—and asset management services that facilitate unique technology deployment models and the acquisition of complete IT solutions, including hardware, software and services from HPE and others. Corporate Investments includes Hewlett Packard Labs and certain business incubation projects among others. As of October 31, 2015, HPE owned or leased approximately 51 million square feet of space worldwide, had operations in approximately 105 countries and employed approximately 240,000 people.

HPE's internet address is [www.hpe.com](http://www.hpe.com). Please note that HPE's internet address is included in this proxy statement/prospectus-information statement as an inactive textual reference only. The information contained on HPE's website is not incorporated by reference into this proxy statement/prospectus-information statement or any future documents that may be filed with the SEC and should not be considered part of this document. HPE makes available on this website free of charge, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after it electronically files or furnishes such materials to the U.S. Securities and Exchange Commission. Investors may access these filings in the "Investor Relations" section of HPE's website.

For a more detailed description of the business of HPE, see HPE's Annual Report on Form 10-K for the fiscal year ended October 31, 2015 filed with the SEC.



## INFORMATION ABOUT EVERETT AND MERGER SUB

### Information About Everett

Everett is a leading provider of technology consulting, outsourcing and support services for infrastructure, applications and business process domains, including Strategic Enterprise Service offerings of cloud, security, analytics and data management.

### Information About Merger Sub

Merger Sub is a direct, wholly-owned subsidiary of Everett. Merger Sub was organized on October 27, 2016 in the State of Nevada for the purposes of merging with and into CSC in the Merger. Merger Sub has not carried on any activities other than in connection with the Merger Agreement.

### Initial Announcement of the Distribution and Merger

On May 24, 2016, HPE announced plans to spin off Everett, its enterprise services business, and merge it with CSC. The spin-off is subject to certain conditions, including, among others, completion of the Reorganization, delivery of an opinion from an independent appraisal firm confirming the solvency and financial viability of HPE after giving effect to the Everett Debt Exchange, Everett Payment and the consummation of the Distribution and the SEC declaring effective the registration statement of which this proxy statement/prospectus-information statement forms a part. See “The Transaction Agreements—The Separation and Distribution Agreement—Conditions to the Distribution.”

### Business Segments, Products and Services

Everett organizes its business into the following two segments:

- *Infrastructure Technology Outsourcing.* Everett’s Infrastructure Technology Outsourcing group delivers services that streamline and help optimize clients’ technology infrastructure to efficiently enhance performance, reduce costs, mitigate risk and enable business optimization. These services encompass the transition, transformation and management of data centers, IT security, cloud computing, workplace mobility, networks, unified communications and enterprise service management. Everett also offers a set of managed services that provide a cross-section of broader infrastructure services for smaller, discrete engagements.
- *Application and Business Services.* Everett’s Application and Business Services portfolio helps clients develop, transform and manage their applications and information assets. Everett’s complete application life cycle approach encompasses application development, testing, modernization, system integration, maintenance and management for both packaged and custom-built applications and cloud offerings. Everett’s Application and Business Services portfolio also includes intellectual property-based industry solutions, along with technologies and related services, all of which help clients better manage their critical industry processes for customer relationship management, finance and administration, human resources, payroll and document processing.

### Sales, Marketing and Distribution

Everett manages its business and reports its financial results based on the segments described above. Everett’s customers are organized by commercial and large enterprise groups, including business and public sector enterprises, and purchases of solutions and services may be fulfilled directly by Everett or indirectly through a variety of partners, including:

- resellers that sell Everett’s services, frequently with their own value-added products or services, to targeted customer groups;

- distribution partners that supply Everett's solutions to resellers;
- original equipment manufacturers ("OEMs") that integrate Everett's services with their own products and services, and sell the integrated solution;
- independent software vendors that provide their clients with specialized software products and often assist Everett in selling its services to clients purchasing their products;
- systems integrators that provide expertise in designing and implementing custom IT solutions and often partner with Everett to extend their expertise or influence the sale of Everett's solutions and services; and
- advisory firms that provide various levels of management and IT consulting, including some systems integration work, and typically partner with Everett on client solutions that require Everett's unique solutions and services.

The mix of Everett's business conducted by direct sales or channel differs substantially by business and region. Everett believes that customer buying patterns and different regional market conditions require Everett to tailor sales and marketing efforts accordingly. Everett is focused on driving the depth and breadth of its coverage, in addition to identifying efficiencies and productivity gains, in both direct and indirect businesses.

## **International**

Everett's services are available worldwide. Everett believes this geographic diversity allows Everett to meet demand on a worldwide basis for customers, draws on business and technical expertise from an international workforce, provides stability to operations, and provides revenue streams that may offset geographic economic trends. In addition, Everett believes that future growth is dependent in part on its ability to develop sales models that target developing countries. In this regard, Everett believes that its broad geographic presence gives Everett a solid base on which to build such future growth.

A summary of Everett's domestic and international results is set forth in Note 2, "Segment Information", to Everett's Combined and Condensed Combined Financial Statements. Approximately 57% of Everett's overall net revenue in fiscal 2015 came from outside the United States.

For a discussion of certain risks attendant to Everett's international operations, see "Risk Factors—Risks Related to the Combined Company, After the Transactions—The international operations of the combined company will be exposed to risks, including fluctuations in exchange rates, which may be beyond the combined company's control," "—The business operations of CSC and Everett are subject to various and changing federal, state, local and foreign laws and regulations that could result in costs or sanctions that adversely affect the business and results of operations of the combined company" and "—The ability of the combined company to compete in certain markets will be dependent on the ability of the combined company to continue to expand capacity in certain offshore locations. However, as the presence of the combined company in these locations increases, the combined company will be exposed to risks inherent to these locations which may adversely affect its revenue and profitability," "Management's Discussion and Analysis of Financial Condition and Results of Operations of Everett—Quantitative and Qualitative Disclosure about Market Risk" and Note 11, "Financial Instruments", to Everett's Combined and Condensed Combined Financial Statements.

## **Research and Development**

Everett's research and development efforts are focused on designing and developing services and solutions that anticipate customers' changing needs and desires and emerging technological trends. These efforts also are focused on identifying the areas where Everett believes it can make a unique contribution and where partnering with other leading technology companies will leverage Everett's cost structure and maximize customers' experiences.

Expenditures for research and development were \$21 million in fiscal 2015, \$37 million in fiscal 2014 and \$19 million in fiscal 2013. Everett anticipates continued significant research and development expenditures in the future to support the design and development of innovative, high-quality services and solutions to maintain and enhance its competitive position. For a discussion of risks attendant to Everett's research and development activities, see "Risk Factors—Risks Related to the Combined Company, After the Transactions—The ability of the combined company to continue to develop and expand service offerings to address emerging business demands and technological trends will impact the future growth of the combined company. If the combined company is not successful in meeting these business challenges, the results of operations and cash flows of the combined company will be materially and adversely affected."

## **Patents**

Everett's general policy is to seek patent protection for those inventions likely to be incorporated into products and services or where obtaining such proprietary rights will improve Everett's competitive position. At present, Everett's worldwide patent portfolio includes approximately 200 patents.

Patents generally have a term of twenty years from the date they are filed. As Everett's patent portfolio has been built over time, the remaining terms of the individual patents across the patent portfolio vary. Everett believes that its patents and patent applications are important for maintaining the competitive differentiation of its solutions and services, enhancing its freedom of action to sell solutions and services in markets in which Everett chooses to participate, and maximizing its return on research and development investments. No single patent is in itself essential to the company as a whole or to either of its business segments.

In addition to developing its patent portfolio, Everett licenses intellectual property from third parties as Everett deems appropriate. Everett has also granted and plans to continue to grant to others licenses, and other rights, under its patents when Everett considers these arrangements to be in its interest. These license arrangements include a number of cross-licenses with third parties.

## **Backlog**

Everett believes that its backlog is not a meaningful indicator of future business prospects due to its diverse service portfolio. Therefore, Everett believes that backlog information is not material to an understanding of its overall business.

## **Seasonality**

General economic conditions have an impact on Everett's business and financial results. From time to time, the markets in which Everett sells services and solutions experience weak economic conditions that may negatively affect sales. Everett experiences some seasonal trends in the sale of services and solutions. For example, European sales are often weaker in the summer months, and sales to US government contractors tend to decrease during October, November and December, the first quarter of the US governmental fiscal year.

## **Government Contracts**

As is typical in the public sector space in the United States, the government has the unilateral right, with respect to Everett's contracts, to exercise option years of period of performance as well as the right to terminate for convenience, with recovery of incurred costs made available through termination settlement provisions under applicable federal regulations.

## **Competition**

Everett has a broad technology portfolio of enterprise IT infrastructure services and solutions, multi-vendor customer services and IT management solutions. Everett believes it is among the leaders in the industry.



Nevertheless, Everett encounters strong competition. Everett competes primarily on the basis of technology, innovation, performance, price, quality, reliability, brand, reputation, distribution, range of services, account relationships, customer training, service and support, security and the availability of its application software and IT infrastructure offerings.

Everett competes in the IT services, consulting and integration, infrastructure technology outsourcing, business process outsourcing and application services markets. Everett's primary competitors include IBM Global Services, Computer Sciences Corporation, systems integration firms such as Accenture plc and offshore companies such as Fujitsu and India-based competitors Wipro Limited, Infosys Limited and Tata Consultancy Services Ltd. Everett also competes with other traditional hardware providers, such as Dell, which are increasingly offering services to support their products, new players in emerging areas like cloud such as Amazon, and smaller local players. Many competitors offer a wide range of global services, and some competitors enjoy significant brand recognition. Everett teams with many companies to offer services, and those arrangements allow Everett to extend its reach and augment its capabilities. Everett's competitive advantages include deep technology expertise, especially in complex multi-country, multi-vendor and/or multi-language environments, differentiated intellectual property, a strong track record of collaboration with clients and partners, and the combination of expertise in infrastructure management with skilled global resources on platforms from SAP AG (SAP), Oracle and Microsoft, among others.

## **Environment**

Everett's operations are subject to regulation under various federal, state, local and foreign laws concerning the environment, including laws addressing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, and the clean-up of contaminated sites. Everett could incur substantial costs, including clean-up costs, fines and civil or criminal sanctions, and third-party damage or personal injury claims, if Everett were to violate or become liable under environmental laws.

Everett's operations, services and ultimately products are expected to become increasingly subject to federal, state, local and foreign laws, regulations and international treaties relating to climate change. As these laws, regulations, treaties and similar initiatives and programs are adopted and implemented throughout the world, Everett will be required to comply or potentially face market access limitations or other sanctions, including fines. However, Everett believes that technology will be fundamental to finding solutions to achieve compliance with and manage those requirements, and Everett is collaborating with industry and business groups and governments to find and promote ways that its technology can be used to address climate change and to facilitate compliance with related laws, regulations and treaties.

Everett is committed to maintaining compliance with all environmental laws applicable to its operations and services and to reducing its environmental impact across all aspects of its business. Everett meets this commitment with a comprehensive environmental, health and safety policy, strict environmental management of its operations and worldwide environmental programs and services.

Environmental costs and accruals are presently not material to Everett's operations, cash flows or financial position. Although there is no assurance that existing or future environmental laws will not have a material adverse effect on Everett's operations, cash flows or financial condition, Everett does not currently anticipate material capital expenditures for environmental control facilities.

## **Employees**

Everett had over 112,600 employees as of October 6, 2016.

## **Properties**

As of October 31, 2016, Everett owned or leased approximately 24.6 million square feet of space worldwide. Everett believes that its existing properties are in good condition and are suitable for the conduct of

its business. Because of the interrelation of Everett's business segments, a majority of these segments use a majority of the properties described above at least in part, and Everett retains the flexibility to use each of the properties in whole or in part for each of its segments.

### **Principal Executive Offices**

Our principal executive offices, including our global headquarters, are located at 3000 Hanover Street, Palo Alto, California, 94304, United States of America.

### **Product Development, Services and Manufacturing**

The locations of our headquarters of geographic operations and major services development and delivery operations facilities are as follows:

#### ***Headquarters of Geographic Operations***

##### **Americas**

Plano, United States

Mississauga, Canada

##### **Europe, Middle East, Africa**

Bracknell, United Kingdom

##### **Asia Pacific**

Singapore

India: Bangalore, Chennai

China: Dalian, Wuhan

Malaysia: Kuala Lumpur

Philippines: Manila

#### ***Services Development, Delivery Operations***

##### **Americas**

Brazil: Sao Paolo

Costa Rica: San Jose

Mexico: Guadalajara

United States: Herndon, Houston, Plano, Pontiac

##### **Europe, Middle East, Africa**

Bulgaria: Sofia

Slovakia: Bratislava

Spain: Barcelona

Poland; Wroclaw, Warsaw

United Kingdom & Ireland: Newcastle, Glasgow, Thames Valley

Morocco: Rabat

Hungary: Budapest

Germany: Bad Hombourg

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF EVERETT

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is organized as follows:

- *Overview.* A discussion of Everett's business and overall analysis of financial results and other highlights affecting Everett to provide context for the remainder of the MD&A. The overview analysis compares (a) the nine months ended July 31, 2016 to the nine months ended July 31, 2015 and (b) fiscal 2015 to fiscal 2014.
- *Critical Accounting Policies and Estimates.* A discussion of accounting policies and estimates that Everett believes are important to understanding the assumptions and judgments incorporated in its reported financial results.
- *Results of Operations.* An analysis of Everett's financial results comparing (a) the nine months ended July 31, 2016 to the comparable prior-year period and (b) fiscal 2015 and fiscal 2014 to the prior years, respectively. A discussion of the results of operations at the combined level is followed by a discussion of the results of operations at the segment level.
- *Liquidity and Capital Resources.* An analysis of changes in Everett's cash flows and a discussion of Everett's financial condition and liquidity.
- *Contractual and Other Obligations.* An overview of contractual obligations, retirement benefit plan funding, restructuring plans, uncertain tax positions and off-balance sheet arrangements.

Everett intends the discussion of its financial condition and results of operations that follows to provide information that will assist the reader in understanding its Combined and Condensed Combined Financial Statements, the changes in certain key items in those financial statements from period to period, and the primary factors that accounted for those changes, as well as how certain accounting principles, policies and estimates affect Everett's Combined and Condensed Combined Financial Statements. This discussion should be read in conjunction with Everett's Combined and Condensed Combined Financial Statements and the related notes that appear elsewhere in this proxy statement/prospectus-information statement.

The following Overview, Results of Operations and Liquidity discussions and analyses compare the nine months ended July 31, 2016 to the nine months ended July 31, 2015, fiscal 2015 to fiscal 2014 and fiscal 2014 to fiscal 2013, unless otherwise noted. The Capital Resources and Contractual and Other Obligations discussions present information as of October 31, 2015, unless otherwise noted.

### Background

Everett consists of the Enterprise Services segment of HPE excluding (a) the Mphasis Limited reporting unit and (b) the Communications and Media Solutions product group. Everett is a leading global provider of technology consulting, outsourcing and support services across infrastructure, applications and business process domains in traditional and Strategic Enterprise Service ("SES") offerings which includes analytics and data management, security and cloud services. HPE was spun off by Hewlett-Packard Company in a November 1, 2015 transaction in which Hewlett-Packard Company separated into two independent publicly traded companies. Accordingly, the term "Parent" refers to the Hewlett-Packard Company for periods prior to November 1, 2015 and to HPE from November 1, 2015 onward.

Everett organizes its business into two segments for financial reporting purposes: Infrastructure Technology Outsourcing ("ITO") and Application and Business Services ("ABS").

### May 2016 Announcement of Spin-Merge Transaction

On May 24, 2016, HPE announced plans for a tax free spin-off of Everett and merger of Everett with Computer Sciences Corporation ("CSC"). Immediately following the transaction, which is currently targeted to

be completed at or near April 1, 2017, shareholders of HPE will own shares of both HPE and approximately fifty percent of the new combined company. Mr. J. Michael Lawrie, the current Chairman, President and Chief Executive Officer of CSC will resign from his position at CSC and become Chairman, President and Chief Executive Officer of Everett upon consummation of the Merger and Ms. Margaret C. Whitman, President and Chief Executive Officer of HPE, will join the Board of Directors. Other executives and directors will be announced at a later date. The transaction is subject to certain customary closing conditions including approval by CSC shareholders, the effective filing of related information statements and registration statements, completion of a tax-free spin-off of Everett, Everett debt transaction, the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the receipt of certain required foreign anti-trust approvals.

### **Basis of Presentation**

The Combined and Condensed Combined Financial Statements of Everett discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations were derived from the Combined and Consolidated Financial Statements and accounting records of Parent as if Everett were operated on a standalone basis during the periods presented and were prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

The Combined and Condensed Combined Statements of Operations and Comprehensive Loss of Everett reflect allocations of general corporate expenses from Parent including, but not limited to, executive management, finance, legal, information technology, employee benefits administration, treasury, risk management, procurement and other shared services. These allocations were made on a direct usage basis when identifiable, with the remainder allocated on the basis of revenue, expenses, headcount or other relevant measures. Management of Everett and Parent consider these allocations to be a reasonable reflection of the utilization of services by, or the benefits provided to, Everett. The allocations may not, however, reflect the expense Everett would have incurred as a standalone company for the periods presented. Actual costs that may have been incurred if Everett had been a standalone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

The Combined and Condensed Combined Balance Sheets of Everett include Parent assets and liabilities that are specifically identifiable or otherwise attributable to Everett, including subsidiaries and affiliates in which Parent has a controlling financial interest or is the primary beneficiary. Parent's cash has not been assigned to Everett for any of the periods presented because those cash balances are not directly attributable to Everett. Everett reflects transfers of cash to and from Parent's cash management system as a component of Parent company investment on the Combined and Condensed Combined Balance Sheets. Parent's long-term debt has not been attributed to Everett for any of the periods presented because Parent's borrowings are not the legal obligation of Everett.

Parent maintains various benefit and stock-based compensation plans at a corporate level and other benefit plans at a subsidiary level. Everett's employees participate in those programs and a portion of the cost of those plans is included in Everett's Combined and Condensed Combined Financial Statements. However, Everett's Combined and Condensed Combined Balance Sheets do not include any net benefit plan obligations unless the benefit plan only included active, retired and other former Everett employees or any equity related to stock-based compensation plans. See Note 4 "Retirement and Post-Retirement Benefit Plans" and Note 5 "Stock-Based Compensation" to Everett's Combined Financial Statements for a further description of the accounting for Everett's benefit plans and stock-based compensation, respectively.

## OVERVIEW

### *Nine Months ended July 31, 2016*

The following provides an overview of Everett's key financial metrics by segment for the nine months ended July 31, 2016 as compared to the nine months ended July 31, 2015:

	<u>Everett Combined</u>	<u>Infrastructure Technology Outsourcing</u>	<u>Application and Business Services</u>
		<u>Dollars in millions</u>	
Net revenue . . . . .	\$13,444	\$9,152	\$4,292
Year-over-year change % . . . . .	(5.5)%	(3.8)%	(9.0)%
(Loss) earnings from operations <sup>(1)</sup> . . . . .	\$ (491)	\$ 289	\$ 492
(Loss) earnings from operations as a % of net revenue . . .	(3.7)%	3.2%	11.5%
Year-over-year change percentage points . . . . .	3.1pts	1.9pts	5.1pts
Net loss . . . . .	\$ (489)		

- (1) Segment earnings from operations exclude corporate and unallocated costs, stock-based compensation expense, amortization of intangible assets, restructuring charges, separation costs, divestiture charges, defined benefit plan settlement charges and impairment of data center assets.

Everett's net revenue decreased 5.5% (decreased 1.7% on a constant currency basis) in the nine months ended July 31, 2016, as compared to the prior-year period. The leading contributors to the net revenue decrease were unfavorable foreign currency exchange impacts and the wind down of several contracts, particularly in ABS. Gross margin was 12.9% (\$1.7 billion) and 11.0% (\$1.6 billion) for the nine months ended July 31, 2016 and 2015, respectively. The 1.9 percentage point increase in gross margin was due primarily to service delivery efficiencies as a result of cost savings associated with ongoing restructuring programs. Operating margin increased by 3.1 percentage points in fiscal 2016 due primarily to higher gross margin, lower selling, general and administrative ("SG&A") expenses and lower expenses resulting from defined benefit plan settlement charges and impairment of data center assets. These were partially offset by higher restructuring charges.

As of July 31, 2016, cash and cash equivalents and short- and long-term investments were approximately \$409 million, representing an increase of approximately \$168 million from the October 31, 2015 balance of approximately \$241 million. For the nine months ended July 31, 2016, Everett generated \$527 million of cash flows from operations, \$62 million of proceeds from sales of property, plant and equipment and invested \$104 million in property, plant and equipment.

### *Fiscal Year ended October 31, 2015*

The following provides an overview of Everett's key financial metrics by segment for fiscal 2015 as compared to fiscal 2014:

	<u>Everett Combined</u>	<u>Infrastructure Technology Outsourcing</u>	<u>Application and Business Services</u>
		<u>Dollars in millions</u>	
Net revenue . . . . .	\$19,032	\$12,806	\$6,226
Year-over-year change % . . . . .	(12.9)%	(13.1)%	(12.7)%
(Loss) earnings from operations <sup>(1)</sup> . . . . .	\$ (1,367)	\$ 263	\$ 505
(Loss) earnings from operations as a % of net revenue . . .	(7.2)%	2.1%	8.1%
Year-over-year change percentage points . . . . .	(1.3)pts	0.5pts	2.7pts
Net loss . . . . .	\$ (1,885)		

- (1) Segment earnings from operations exclude corporate and unallocated costs, stock-based compensation expense, amortization of intangible assets, restructuring charges, separation costs, defined benefit plan settlement charges and impairment of data center assets.

Everett's net revenue decreased 12.9% (decreased 7.2% on a constant currency basis) in fiscal 2015 as compared to fiscal 2014. The leading contributors to the net revenue decrease were unfavorable foreign currency exchange impacts, the wind down of several large contracts and soft demand in ITO. Gross margin was 11.5% (\$2.2 billion) and 11.0% (\$2.4 billion) for fiscal 2015 and 2014, respectively. The 0.5 percentage point increase in gross margin was due primarily to service delivery efficiencies partially offset by the unfavorable impact of the wind down of several large contracts. Operating margin decreased by 1.3 percentage points in fiscal 2015 due primarily to higher expenses resulting from separation activities, defined benefit plan settlement charges and impairment of data center assets. These were partially offset by the gross margin increase, lower SG&A expenses and lower restructuring charges.

As of October 31, 2015, cash and cash equivalents and short- and long-term investments were approximately \$241 million, representing an increase of approximately \$37 million from the October 31, 2014 balance of approximately \$204 million. For fiscal 2015, Everett generated \$762 million of cash flows from operations, \$97 million of proceeds from sales of property, plant and equipment and invested \$235 million in property, plant and equipment.

### ***Trends and Uncertainties***

Everett is in the process of addressing many challenges facing its business. One set of challenges relates to dynamic and accelerating market trends, such as the market shift to cloud-related information technology infrastructure, software and services. Another set of challenges relates to changes in the competitive landscape. Everett's major competitors are expanding their product and service offerings with integrated products and solutions, Everett's business-specific competitors are exerting increased competitive pressure in targeted areas and are entering new markets, Everett's emerging competitors are introducing new technologies and business models, and Everett's alliance partners in some businesses are increasingly becoming competitors in others. A third set of challenges relates to business model changes and Everett's go-to-market execution.

The macroeconomic weakness Everett has experienced has moderated in some geographic regions but remains an overall challenge. Everett is facing challenges, including managing the wind down of several large contracts, pressured public sector spending, a competitive pricing environment and market pressures from a mixed economic recovery in Europe, the Middle East and Africa ("EMEA"). Everett is also experiencing commoditization in the information technology infrastructure services market that is placing pressure on traditional ITO pricing and cost structures. There is also an industry-wide shift to highly automated, asset-light delivery of information technology infrastructure and applications leading to headcount consolidation. To be successful in addressing these challenges, Everett must execute on its multi-year turnaround plan, which includes a cost reduction initiative to align its costs to its revenue trajectory, a focus on new logo wins and SES and initiatives to improve execution in sales performance and accountability, contracting practices and pricing.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

### ***General***

The Combined and Condensed Combined Financial Statements of Everett are prepared in accordance with U.S. GAAP, which requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, net revenue and expenses and the disclosure of contingent liabilities. Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources. Management has discussed the development, selection and disclosure of these estimates with the Audit Committee of Parent's Board of Directors. Management believes that the accounting estimates employed and the resulting amounts are reasonable; however, actual results may differ from these estimates. Making estimates and judgments about future events is inherently unpredictable and is subject to significant uncertainties, some of which are beyond Everett's control. Should any of these estimates and assumptions change or prove to have been incorrect, it could have a material impact on Everett's results of operations, financial position and cash flows.



A summary of significant accounting policies is included in Note 1, “Overview and Summary of Significant Accounting Policies,” to Everett’s Combined Financial Statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements. Management believes the following critical accounting policies reflect the significant estimates and assumptions used in the preparation of Everett’s Combined Financial Statements.

### ***Revenue Recognition***

Everett recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services are rendered, the sales price or fee is fixed or determinable and collectability is reasonably assured, as well as when other revenue recognition principles are met, including industry-specific revenue recognition guidance.

Everett enters into contracts to sell services engagements, many of which contain non-standard terms and conditions and consist of multiple elements. As a result, significant contract interpretation may be required to determine the appropriate accounting, including the identification of deliverables considered to be separate units of accounting, the allocation of the transaction price among elements in the arrangement and the timing of revenue recognition for each of those elements.

Everett recognizes revenue for delivered elements as separate units of accounting when the delivered elements have standalone value to the customer. For elements with no standalone value, Everett recognizes revenue consistent with the pattern of the undelivered elements. If the arrangement includes a customer-negotiated refund or return right or other contingency relative to the delivered items and the delivery and performance of the undelivered items is considered probable and substantially within Everett’s control, the delivered element constitutes a separate unit of accounting. In arrangements with combined units of accounting, changes in the allocation of the transaction price among elements may impact the timing of revenue recognition for the contract but will not change the total revenue recognized for the contract.

Everett establishes the selling prices used for each deliverable based on vendor-specific objective evidence (“VSOE”) of selling price, if available, third-party evidence (“TPE”), if VSOE of selling price is not available, or estimated selling price (“ESP”), if neither VSOE of selling price nor TPE is available. Everett establishes VSOE of selling price using the price charged for a deliverable when sold separately and, in rare instances, using the price established by management having the relevant authority. TPE of selling price is established by evaluating largely similar and interchangeable competitor products or services in standalone sales to similarly situated customers. ESP is established based on management’s judgment considering internal factors such as margin objectives, pricing practices and controls, customer segment pricing strategies and the product life-cycle. Consideration is also given to market conditions such as competitor pricing strategies and technology industry life-cycles. Everett may modify or develop new go-to-market practices in the future, which may result in changes in selling prices, impacting both VSOE of selling price and ESP. In most arrangements with multiple elements, the transaction price is allocated to the individual units of accounting at inception of the arrangement based on their relative selling price. However, the aforementioned factors may result in a different allocation of the transaction price to deliverables in multiple element arrangements entered into in future periods. This may change the pattern and timing of revenue recognition for identical arrangements executed in future periods, but will not change the total revenue recognized for any given arrangement.

For certain fixed-price contracts, such as consulting arrangements, Everett recognizes revenue as work progresses using a proportional performance method. Everett estimates the total expected labor costs in order to determine the amount of revenue earned to date under the contract. Everett applies a proportional performance method because reasonably dependable estimates of the labor costs applicable to various stages of a contract can be made. On fixed-price contracts for design and build projects (to design, develop and construct software

infrastructure and systems), Everett recognizes revenue as work progresses using the percentage-of-completion method. Everett uses the cost-to-cost method to measure progress toward completion as determined by the percentage of costs incurred to date compared to the total estimated costs of the project. Total project costs are subject to revision throughout the life of a fixed-price contract. Provisions for estimated losses on fixed-price contracts are recognized in the period when such losses become known and are recorded as a component of cost of revenue. In circumstances when reasonable and reliable cost estimates for a project cannot be made, Everett recognizes revenue using the completed contract method.

Outsourcing services revenue is generally recognized in the period when the service is provided and the amount earned is not contingent on the occurrence of any future event. Everett recognizes revenue using an objective measure of output for per unit-priced contracts. Revenue for fixed-price outsourcing contracts with periodic billings is recognized on a straight-line basis if the service is provided evenly over the contract term. Provisions for estimated losses on outsourcing arrangements are recognized in the period when such losses become probable and estimable and are recorded as a component of cost of revenue.

For hardware and software products, Everett recognizes revenue generated from direct sales to end customers when the relevant revenue recognition criteria are satisfied.

### ***Restructuring***

Everett has engaged in restructuring actions which require management to estimate the timing and amount of severance and other employee separation costs for workforce reduction and enhanced early retirement programs, the fair value of assets made redundant or obsolete, and the fair value of lease cancellation and other exit costs. Everett accrues for severance and other employee separation costs under these actions when it is probable that benefits will be paid and the amount is reasonably estimable. The rates used in determining severance accruals are based on existing plans, historical experiences and negotiated settlements.

### ***Retirement and Post-Retirement Benefits***

Everett's pension and other post-retirement benefit costs and obligations depend on various assumptions. Everett's major assumptions relate primarily to discount rates, mortality rates, expected increases in compensation levels and the expected long-term return on plan assets. The discount rate assumption is based on current investment yields of high-quality fixed-income securities with maturities similar to the expected benefits payment period. Mortality rates help predict the expected life of plan participants and are based on a historical demographic study of the plan. The expected increase in the compensation levels assumption reflects Everett's long-term actual experience and future expectations. The expected long-term return on plan assets is determined based on asset allocations, historical portfolio results, historical asset correlations and management's expected returns for each asset class. In any fiscal year, significant differences may arise between the actual return and the expected long-term return on plan assets. Historically, differences between the actual return and expected long-term return on plan assets have resulted from changes in target or actual asset allocation, short-term performance relative to expected long-term performance, and to a lesser extent, differences between target and actual investment allocations, the timing of benefit payments compared to expectations and the use of derivatives intended to effect asset allocation changes or hedge certain investment or liability exposures.



Everett's major assumptions vary by plan, and the weighted-average rates used are set forth in Note 4, "Retirement and Post-Retirement Benefit Plans," to Everett's Combined Financial Statements. The following table provides the impact of changes in the weighted-average assumptions of discount rates, the expected increase in compensation levels and the expected long-term return on plan assets would have had on Everett's net periodic benefit cost for fiscal 2015:

	<u>Change in Basis Points</u>	<u>Change in Net Periodic Benefit Cost in Millions</u>
Assumptions:		
Discount rate . . . . .	(25)	\$25
Expected increase in compensation levels . . . . .	25	\$ 5
Expected long-term return on plan assets . . . . .	(25)	\$13

### ***Income Taxes***

Everett's operations have historically been included in the tax returns filed by the respective Parent entities of which Everett's businesses are a part. The (Provision) benefit for taxes and other income tax related information contained in Everett's Combined and Condensed Combined Financial Statements are presented on a separate return basis as if Everett filed its own tax returns. The separate return method applies the accounting guidance for income taxes to the standalone financial statements as if Everett were a separate taxpayer and a standalone enterprise for the periods presented. The calculation of Everett's income taxes using the separate return method requires a considerable amount of judgment and use of both estimates and allocations. Current income tax liabilities related to entities which file jointly with Parent are assumed to be immediately settled with Parent and are relieved through the Parent company investment account and the Net transfers from Parent in Everett's Combined and Condensed Combined Statements of Cash Flows.

Everett calculates its current and deferred tax (provisions) benefits based on estimates and assumptions that could differ from the final positions reflected in Parent's income tax returns. Everett adjusts its current and deferred tax (provisions) benefits based on Parent's income tax returns which are generally filed in the third or fourth quarters of the subsequent fiscal year.

Everett recognizes deferred tax assets and liabilities for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using enacted tax rates in effect for the year in which Everett expects the differences to reverse.

Everett records a valuation allowance to reduce deferred tax assets to the amount that Everett is more likely than not to realize. In determining the need for a valuation allowance, Everett considers future market growth, forecasted earnings, future taxable income, the mix of earnings in the jurisdictions in which Everett operates and prudent and feasible tax planning strategies. In the event Everett were to determine that it is more likely than not that Everett will be unable to realize all or part of its deferred tax assets in the future, Everett would increase the valuation allowance and recognize a corresponding charge to earnings or other comprehensive income in the period in which Everett makes such a determination. Likewise, if Everett later determines that Everett is more likely than not to realize the deferred tax assets, Everett would reverse the applicable portion of the previously recognized valuation allowance. In order for Everett to realize its deferred tax assets, Everett must be able to generate sufficient taxable income in the jurisdictions in which the deferred tax assets are located.

Everett's effective tax rate includes the impact of certain undistributed foreign earnings for which Everett has not provided for U.S. federal taxes because Everett plans to reinvest such earnings indefinitely outside the U.S. Everett plans distributions of foreign earnings based on projected cash flow needs as well as the working capital and long-term investment requirements of Everett's foreign subsidiaries and Everett's domestic operations. Based on these assumptions, Everett estimates the amount Everett expects to indefinitely invest

outside the U.S. and the amounts Everett expects to distribute to the U.S. and provides for the U.S. federal taxes due on amounts expected to be distributed to the U.S. Material changes in Everett's estimates of cash, working capital and long-term investment requirements in the various jurisdictions in which Everett does business could impact how future earnings are repatriated to the U.S. and Everett's related future effective tax rate.

Everett is subject to income taxes in the U.S. and approximately 105 other countries, and Everett is subject to routine corporate income tax audits in many of these jurisdictions. Everett believes that positions taken on Parent's tax returns are fully supported, but tax authorities may challenge these positions, which may not be fully sustained on examination by the relevant tax authorities. Accordingly, Everett's income tax provision includes amounts intended to satisfy assessments that may result from these challenges. Determining the income tax provision for these potential assessments and recording the related effects requires management judgments and estimates. The amounts ultimately paid on resolution of an audit could be materially different from the amounts previously included in Everett's income tax provision and, therefore, could have a material impact on Everett's income tax provision, net income and cash flows. Everett's accrual for uncertain tax positions is attributable primarily to uncertainties concerning the tax treatment of Everett's international operations, including the allocation of income among different jurisdictions, intercompany transactions and related interest.

### ***Intangible Assets***

Everett reviews intangible assets with finite lives for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of Everett's finite-lived intangible assets is assessed based on the estimated undiscounted future cash flows expected to result from the use and eventual disposition of the asset. If the undiscounted future cash flows are less than the carrying amount, the finite-lived intangible assets are considered to be impaired. The amount of the impairment loss, if any, is measured as the difference between the carrying amount of the asset and its fair value. Everett estimates the fair value of finite-lived intangible assets by using an income approach or, when available and appropriate, using a market approach.

### ***Fair Value of Derivative Instruments***

Everett uses derivative instruments to manage a variety of risks, including risks related to foreign currency exchange rates and interest rates. Everett uses forwards, swaps and options to hedge certain foreign currency and interest rate exposures. Everett does not use derivative financial instruments for speculative purposes. At October 31, 2015, the gross notional amount of Everett's derivative portfolio was \$1.9 billion. Assets and liabilities related to derivative instruments are measured at fair value, and were \$65 million and \$16 million, respectively, as of October 31, 2015.

Fair value is the price Everett would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of active markets for identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. The determination of fair value often involves significant judgments about assumptions such as determining an appropriate discount rate that factors in both risk and liquidity premiums, identifying the similarities and differences in market transactions, weighting those differences accordingly and then making the appropriate adjustments to those market transactions to reflect the risks specific to the asset or liability being valued. Everett generally uses industry standard valuation models to measure the fair value of Everett's derivative positions. When prices in active markets are not available for an identical asset or liability, Everett uses industry standard valuation models to measure fair value. Where applicable, these models project future cash flows and discount the future amounts to present value using market based observable inputs, including interest rate curves, Everett and counterparty credit risk, foreign currency exchange rates and forward and spot prices.

### ***Loss Contingencies***

Everett is involved in various lawsuits, claims, investigations and proceedings including those consisting of intellectual property, commercial, securities, employment, employee benefits and environmental matters, which arise in the ordinary course of business. Everett records a liability when Everett believes that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Significant judgment is required to determine both the probability of having incurred a liability and the estimated amount of the liability. Everett reviews these matters at least quarterly and adjusts these liabilities to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other updated information and events, pertaining to a particular case. Based on Everett's experience, Everett believes that any damage amounts claimed in the specific litigation and contingencies matters further discussed in Note 15, "Litigation and Contingencies," to Everett's Combined Financial Statements are not a meaningful indicator of Everett's potential liability. Litigation is inherently unpredictable. However, Everett believes it has valid defenses with respect to legal matters pending against it. Nevertheless, cash flows or results of operations could be materially affected in any particular period by the resolution of one or more of these contingencies. Everett believes it has recorded adequate provisions for any such matters and, as of October 31, 2015, it was not reasonably possible that a material loss had been incurred in connection with such matters in excess of the amounts recognized in Everett's Combined Financial Statements.

### **ACCOUNTING PRONOUNCEMENTS**

For a summary of recent accounting pronouncements applicable to Everett's Combined Financial Statements see Note 1, "Overview and Summary of Significant Accounting Policies," to Everett's Combined Financial Statements.

### **RESULTS OF OPERATIONS**

Revenue from Everett's international operations has historically represented, and is expected to continue to represent, a majority of Everett's overall net revenue. As a result, Everett's revenue growth has been impacted, and Everett expects it will continue to be impacted, by fluctuations in foreign currency exchange rates. In order to provide a framework for assessing performance excluding the impact of foreign currency fluctuations, Everett supplementally presents the year-over-year percentage change in revenue on a constant currency basis, which assumes no change in foreign currency exchange rates from the prior-year period. This information is provided so that revenue can be viewed without the effect of fluctuations in foreign currency exchange rates, which is consistent with how management evaluates Everett's revenue results and trends. This constant currency disclosure is provided in addition to, and not as a substitute for, the period-over-period percentage change in revenue on a GAAP basis. Other companies may calculate and define similarly labeled items differently, which may limit the usefulness of this measure for comparative purposes.

## Results of Operations—Nine Months ended July 31, 2016 and 2015

Results of operations in dollars and as a percentage of net revenue were as follows:

	Nine months ended July 31			
	2016		2015	
	Dollars in millions			
Net revenue	\$13,444	100.0%	\$14,233	100.0%
Cost of revenue	11,707	87.1%	12,672	89.0%
Gross profit	1,737	12.9%	1,561	11.0%
Selling, general and administrative	1,265	9.4%	1,409	9.9%
Amortization of intangible assets	298	2.2%	299	2.1%
Restructuring charges	495	3.7%	356	2.5%
Separation costs	157	1.2%	140	1.0%
Divestiture charges	13	0.1%	—	—
Defined benefit plan settlement charges	—	—	186	1.3%
Impairment of data center assets	—	—	136	1.0%
Loss from operations	(491)	(3.7)%	(965)	(6.8)%
Interest and other, net	(125)	(0.9)%	(140)	(1.0)%
Loss before taxes	(616)	(4.6)%	(1,105)	(7.8)%
Benefit for taxes	127	1.0%	211	1.5%
Net loss	<u>\$ (489)</u>	<u>(3.6)%</u>	<u>\$ (894)</u>	<u>(6.3)%</u>

### Net Revenue

The components of the weighted net revenue change by segment were as follows:

	Nine months ended July 31, 2016
	Percentage Points
Infrastructure Technology Outsourcing	(2.5)
Application and Business Services	(3.0)
Total	<u>(5.5)</u>

For the nine months ended July 31, 2016, Everett's net revenue decreased 5.5% (decreased 1.7% on a constant currency basis) as compared with the prior-year period. U.S. net revenue decreased 0.5% to \$6.0 billion and net revenue from outside the U.S. decreased 9.3% to \$7.4 billion. Everett's net revenue decrease was due primarily to unfavorable foreign currency exchange impacts and the wind down of several contracts, particularly in ABS. These effects were partially offset by net revenue growth in Everett's SES portfolio.

### Gross Margin

Everett's gross margin increased 1.9 percentage points for the nine months ended July 31, 2016 as compared with the prior-year period due primarily to service delivery efficiencies as a result of cost savings associated with ongoing restructuring programs.

### Operating Expenses

#### *Selling, General and Administrative*

SG&A expense decreased 10% for the nine months ended July 31, 2016 as compared with the prior-year period, due primarily to favorable foreign currency exchange impacts, lower administrative expenses due to cost structure reductions and a gain on a business divestiture in the period.

#### *Amortization of Intangible Assets*

Amortization expense for the nine months ended July 31, 2016 was substantially unchanged as compared to the prior-year period.

#### *Restructuring Charges*

Restructuring charges increased for the nine months ended July 31, 2016 as compared with the prior-year period, due primarily to charges from the multi-year restructuring plan announced in September 2015 (the “2015 Plan”). See Note 3, “Restructuring,” to Everett’s Condensed Combined Financial Statements for a discussion of Everett’s restructuring plans.

#### *Separation Costs*

Separation costs for the nine months ended July 31, 2016 were primarily related to third-party consulting, contractor fees and other incremental costs totaling \$87 million arising from the separation of Everett’s Parent, HPE, from HP Inc., formerly Hewlett-Packard Company, and \$70 million arising from the planned spin-merge of Everett with CSC.

Separation costs for the nine months ended July 31, 2015 were primarily related to third-party consulting, contractor fees and other incremental costs arising from the separation of Everett’s Parent, HPE, from HP Inc., formerly Hewlett-Packard Company.

#### *Divestiture Charges*

Divestiture charges for the nine months ended July 31, 2016 consist of direct transaction costs arising from HPE’s entering into the planned spin-merge of Everett with CSC.

#### *Defined Benefit Plan Settlement Charges*

Defined benefit plan settlement charges for the nine months ended July 31, 2015 were related to U.S. defined benefit plan settlement expense and net periodic benefit cost resulting from Parent’s voluntary lump sum program announced in January 2015.

#### *Impairment of Data Center Assets*

Impairment of data center assets for the nine months ended July 31, 2015 resulted from Everett’s exit from several data centers.

#### *Interest and Other, Net*

Interest and other, net, expense decreased by \$15 million for the nine months ended July 31, 2016 as compared with the prior-year period. The decrease was driven by higher interest income due to higher average investment balances.

#### ***Benefit for Taxes***

Everett’s effective tax rate was 20.6% and 19.0% for the nine months ended July 31, 2016 and 2015, respectively. Everett’s effective tax rate generally differs from the U.S. federal statutory rate of 35% due to the impact of valuation allowances both within the U.S. and certain foreign jurisdictions. In addition there are foreign jurisdictions where the foreign tax rates differ from the U.S. federal statutory rate. Everett has not provided U.S. taxes for all foreign earnings because Everett plans to reinvest certain earnings indefinitely outside the U.S.

For the nine months ended July 31, 2016, Everett recorded \$123 million of net income tax charges related to items unique to that period. These amounts included an income tax charge of \$147 million on restructuring, separation and divestiture related costs. These tax charges were partially offset by \$23 million of income tax benefits related to state tax impacts and other items.

For the nine months ended July 31, 2015, Everett recorded \$78 million of net income tax charges related to items unique to that period, which included \$172 million of income tax charges on restructuring, separation and asset impairment costs, partially offset by \$92 million of income tax benefits related to uncertain tax positions.

## Segment Information

A description of services for each segment and a reconciliation of segment results to Everett's combined results can be found in Note 2, "Segment Information," to Everett's Condensed Combined Financial Statements.

### Information Technology Outsourcing

	Nine months ended July 31		
	2016	2015	% Change
	Dollars in millions		
Net revenue . . . . .	\$9,152	\$9,515	(3.8)%
Earnings from operations . . . . .	\$ 289	\$ 122	136.9%
Earnings from operations as a % of net revenue . . . . .	3.2%	1.3%	1.9 pts

ITO net revenue decreased 3.8% (increased 0.2% on a constant currency basis) for the nine months ended July 31, 2016 as compared with the prior-year period due primarily to unfavorable foreign currency exchange impacts, particularly in EMEA, and the wind down of several contracts. These effects were partially offset by growth in SES revenue, particularly in EMEA and the U.S. public sector.

ITO earnings from operations as a percentage of net revenue increased 1.9 percentage points for the nine months ended July 31, 2016 as compared with the prior-year period. The increase in operating margin was due to an increase in gross margin and a decrease in operating expense as a percentage of net revenue. Gross margin increased due primarily to service delivery efficiencies partially offset by the unfavorable impact from the wind down of several contracts. The decrease in operating expense as a percentage of net revenue was due primarily to favorable foreign currency exchange impacts and lower administrative expenses due to cost structure reductions.

### Application and Business Services

	Nine months ended July 31		
	2016	2015	% Change
	Dollars in millions		
Net revenue . . . . .	\$4,292	\$4,718	(9.0)%
Earnings from operations . . . . .	\$ 492	\$ 301	63.5%
Earnings from operations as a % of net revenue . . . . .	11.5%	6.4%	5.1 pts

ABS net revenue decreased 9.0% (decreased 5.7% on a constant currency basis) for the nine months ended July 31, 2016 as compared with the prior-year period due primarily to unfavorable foreign currency exchange impacts, the wind down of several contracts and weak growth in new and existing accounts, particularly in EMEA. These effects were partially offset by ABS growth in the Asia Pacific region.

ABS earnings from operations as a percentage of net revenue increased 5.1 percentage points for the nine months ended July 31, 2016 as compared with the prior-year period. The increase in operating margin for the nine months ended July 31, 2016 was due primarily to an increase in gross margin and a decrease in operating

expense as a percentage of net revenue. Gross margin increased due primarily to service delivery efficiencies. The decrease in operating expense as a percentage of net revenue was due primarily to lower administrative expenses and a gain on a business divestiture in the period.

### Results of Operations—Fiscal Years Ended October 31, 2015, 2014 and 2013

Results of operations in dollars and as a percentage of net revenue were as follows:

	For the fiscal years ended October 31					
	2015		2014		2013	
	Dollars in millions					
Net revenue . . . . .	\$19,032	100.0%	\$21,862	100.0%	\$23,676	100.0%
Cost of revenue . . . . .	16,844	88.5%	19,463	89.0%	21,340	90.1%
Gross profit . . . . .	2,188	11.5%	2,399	11.0%	2,336	9.9%
Selling, general and administrative . . . . .	1,807	9.5%	2,251	10.3%	2,137	9.0%
Amortization of intangible assets . . . . .	399	2.1%	398	1.8%	551	2.4%
Restructuring charges . . . . .	722	3.8%	1,048	4.8%	618	2.6%
Separation costs . . . . .	258	1.4%	—	—	—	—
Defined benefit plan settlement charges . . . . .	233	1.2%	—	—	—	—
Impairment of data center assets . . . . .	136	0.7%	—	—	—	—
Loss from operations . . . . .	(1,367)	(7.2)%	(1,298)	(5.9)%	(970)	(4.1)%
Interest and other, net . . . . .	(179)	(0.9)%	(228)	(1.1)%	(249)	(1.0)%
Loss before taxes . . . . .	(1,546)	(8.1)%	(1,526)	(7.0)%	(1,219)	(5.1)%
(Provision) benefit for taxes . . . . .	(339)	(1.8)%	118	0.6%	(433)	(1.9)%
Net loss . . . . .	\$ (1,885)	(9.9)%	\$ (1,408)	(6.4)%	\$ (1,652)	(7.0)%

### Net Revenue

The components of the weighted net revenue change by segment were as follows:

	For the fiscal years ended October 31	
	2015	2014
	Percentage Points	
Infrastructure Technology Outsourcing	(8.8)	(5.3)
Application and Business Services	(4.1)	(2.4)
Total Everett	<u>(12.9)</u>	<u>(7.7)</u>

### Fiscal 2015 compared with Fiscal 2014

In fiscal 2015, Everett's net revenue decreased 12.9% (decreased 7.2% on a constant currency basis) as compared with fiscal 2014. U.S. net revenue decreased 12.5% to \$8.2 billion, while net revenue from outside of the U.S. decreased 13.3% to \$10.8 billion. Everett's net revenue decrease was due primarily to unfavorable foreign currency exchange impacts, the wind down of several large contracts and weak growth in new and existing accounts. These effects were partially offset by net revenue growth in Everett's SES portfolio.

### Fiscal 2014 compared with Fiscal 2013

In fiscal 2014, Everett's net revenue decreased 7.7% (decreased 7.9% on a constant currency basis) as compared with fiscal 2013. U.S. net revenue decreased 9.7% to \$9.4 billion, while net revenue from outside of the U.S. decreased 6.0% to \$12.5 billion. Everett's net revenue decrease was due primarily to the wind down of several large contracts, weak growth in new and existing accounts, lower public sector spending, particularly in EMEA and contractual price declines. These effects were partially offset by net revenue growth in Everett's SES portfolio.



A more detailed discussion of segment revenue is included under “Segment Information” below.

### ***Gross Margin***

#### ***Fiscal 2015 compared with Fiscal 2014***

Everett’s gross margin increased 0.5 of a percentage point for fiscal year 2015 compared with fiscal 2014 due primarily to service delivery efficiencies and improving profit performance in under-performing contracts partially offset by the unfavorable impact from the wind down of several large contracts.

#### ***Fiscal 2014 compared with Fiscal 2013***

Everett’s gross margin increased 1.1 percentage points for fiscal year 2014 compared with fiscal 2013 due primarily to service delivery efficiencies and improving profit performance in under-performing contracts partially offset by the unfavorable impacts from the wind down of several large contracts and weak growth in new and existing accounts.

A more detailed discussion of segment gross margins and operating margins is included under “Segment Information” below.

### ***Operating Expenses***

#### ***Selling, General and Administrative***

SG&A expense decreased 20% for fiscal 2015 as compared to fiscal 2014 due primarily to favorable foreign currency exchange impacts, reduced costs for sales transformation initiatives and declines in field selling costs as a result of lower compensation costs and productivity initiatives. The decrease was partially offset by higher administrative expenses due to indirect separation related activities arising from the separation of Everett’s Parent, HPE, from HP Inc., formerly Hewlett-Packard Company.

SG&A expense increased 5% in fiscal 2014 as compared to fiscal 2013 due primarily to higher compensation costs, increased costs for sales transformation initiatives and increased administrative expense as fiscal 2013 contained higher bad debt recoveries and insurance recoveries.

#### ***Amortization of Intangible Assets***

Amortization expense in fiscal 2015 was substantially unchanged as compared to fiscal 2014.

Amortization expense decreased in fiscal 2014 due primarily to certain intangible assets associated with prior acquisitions reaching the end of their respective amortization periods.

#### ***Restructuring Charges***

Restructuring charges decreased in fiscal 2015 as compared to fiscal 2014 due primarily to lower charges from the multi-year restructuring plan announced in May 2012 (the “2012 Plan”) partially offset by charges from the 2015 Plan announced in September 2015.

Restructuring charges increased in fiscal 2014 as compared to fiscal 2013 due primarily to higher charges in connection with the 2012 Plan including increases to the scope of the 2012 Plan announced in fiscal 2014.

See Note 3, “Restructuring,” to Everett’s Combined Financial Statements for a discussion of Everett’s restructuring plans.



### *Separation Costs*

Separation costs for fiscal 2015 were primarily related to third-party consulting, contractor fees and other incremental costs arising from the separation of Everett's Parent, HPE, from HP Inc., formerly Hewlett-Packard Company.

### *Defined Benefit Plan Settlement Charges*

Defined benefit plan settlement charges in fiscal 2015 were related to U.S. defined benefit plan settlement expense and net periodic benefit cost resulting from Parent's voluntary lump sum program announced in January 2015.

### *Impairment of Data Center Assets*

Impairment of data center assets in fiscal 2015 resulted from Everett's exit from several data centers.

### *Interest and Other, Net*

Interest and other, net, expense decreased by \$49 million in fiscal 2015 as compared to fiscal 2014 due to lower average capital lease obligations.

Interest and other, net, expense decreased by \$21 million in fiscal 2014 due to lower average borrowings and capital lease obligations.

### ***(Provision) Benefit for Taxes***

Everett's effective tax rates were (22.0)%, 7.8%, and (35.6)% in fiscal year 2015, 2014 and 2013, respectively. Everett's effective tax rate generally differs from the U.S. federal statutory rate of 35% due to the impact of valuation allowances both within the U.S. and certain foreign jurisdictions. In addition there are foreign jurisdictions where the foreign rates differ from the U.S. federal statutory rate. Everett has not provided U.S. taxes for all foreign earnings because Everett plans to reinvest certain earnings indefinitely outside the U.S.

In fiscal 2015, Everett recorded \$48 million of net income tax charges related to items unique to that year. These amounts primarily included \$486 million of income tax charges to record valuation allowances pertaining to certain foreign deferred tax assets, the effects of which were partially offset by \$277 million of income tax benefits related to restructuring, separation and asset impairment costs, \$123 million of income tax benefits related to uncertain tax positions and \$38 million of income tax benefits related to state tax impacts and other items.

In fiscal 2014, Everett recorded \$296 million of net income tax benefits related to items unique to that year. These amounts included \$181 million of income tax benefits related to restructuring costs, \$37 million of income tax benefits related to provision to return adjustments, \$36 million of income tax benefits related to state tax rate changes and \$26 million of income tax benefits for adjustments related to uncertain tax positions.

In fiscal 2013, Everett recorded \$58 million of net income tax charges related to items unique to that year. These amounts included \$129 million of income tax charges for adjustments related to uncertain tax positions, partially offset by \$59 million of income tax benefits related to restructuring costs.

For a reconciliation of Everett's effective tax rate to the U.S. federal statutory rate of 35% and further explanation of Everett's (Provision) benefit for taxes, see Note 6, "Taxes on Earnings," to Everett's Combined Financial Statements.

## Segment Information

A description of the services for each segment and a reconciliation of segment results to Everett's combined results can be found in Note 2, "Segment Information," to Everett's Combined Financial Statements.

### *Information Technology Outsourcing*

	For the fiscal years ended October 31		
	2015	2014	2013
	Dollars in millions		
Net revenue . . . . .	\$12,806	\$14,733	\$15,980
Earnings from operations . . . . .	\$ 263	\$ 238	\$ 246
Earnings from operations as a % of net revenue . . . . .	2.1%	1.6%	1.5%

#### Fiscal 2015 compared with Fiscal 2014

ITO net revenue decreased 13.1% (decreased 7.4% on a constant currency basis) in fiscal 2015 due primarily to unfavorable foreign currency exchange impacts, the wind down of several large contracts and weak growth in new and existing accounts, particularly in EMEA in the first half of fiscal 2015. These effects were partially offset by growth in SES revenue in the second half of fiscal 2015.

In fiscal 2015, ITO earnings from operations as a percentage of net revenue increased 0.5 of a percentage point. The increase in operating margin was due to a decrease in gross margin being more than offset by a decrease in operating expense as a percentage of net revenue. Gross margin decreased due primarily to the unfavorable impact from the wind down of several large contracts partially offset by service delivery efficiencies. The decrease in operating expense as a percentage of net revenue was due primarily to favorable foreign currency exchange impacts, reduced field selling costs as a result of productivity initiatives and reduced administrative expenses.

#### Fiscal 2014 compared with Fiscal 2013

ITO net revenue decreased 7.8% (decreased 8.2% on a constant currency basis) in fiscal 2014 due primarily to the wind down of several large contracts, weak growth in new and existing accounts, particularly in EMEA, and contractual price declines. These effects were partially offset by growth in SES revenue and favorable foreign currency exchange impacts.

ITO earnings from operations as a percentage of net revenue increased 0.1 of a percentage point. The increase in operating margin was due to an increase in gross margin partially offset by an increase in operating expense as a percentage of net revenue. Gross margin increased due primarily to service delivery efficiencies partially offset by the unfavorable impact from the wind down of several large contracts. The increase in operating expense as a percentage of net revenue was due primarily to increased costs for sales transformation initiatives and increased administrative expenses.

### *Application and Business Services*

	For the fiscal years ended October 31		
	2015	2014	2013
	Dollars in millions		
Net revenue . . . . .	\$6,226	\$7,129	\$7,696
Earnings from operations . . . . .	\$ 505	\$ 384	\$ 343
Earnings from operations as a % of net revenue . . . . .	8.1%	5.4%	4.5%

#### Fiscal 2015 compared with Fiscal 2014

ABS net revenue decreased 12.7% (decreased 7.1% on a constant currency basis) in fiscal 2015, due to unfavorable foreign currency exchange impacts and weak growth in new and existing accounts in the first half of fiscal 2015.

ABS earnings from operations as a percentage of net revenue increased 2.7 percentage points in fiscal 2015. The increase in operating margin was due to an increase in gross margin and a decrease in operating expense as a percentage of net revenue. Gross margin increased due primarily to service delivery efficiencies. The decrease in operating expense as a percentage of net revenue was due primarily to favorable foreign currency exchange impacts, reduced field selling costs as a result of productivity initiatives and reduced administrative expenses.

#### Fiscal 2014 compared with Fiscal 2013

ABS net revenue decreased 7.4% (decreased 7.3% on a constant currency basis) in fiscal 2014, due to the wind down of a large contract and weak growth in new and existing accounts, particularly in EMEA. These effects were partially offset by growth in SES revenue.

ABS earnings from operations as a percentage of net revenue increased 0.9 of a percentage point in fiscal 2014. The increase in operating margin was due to an increase in gross margin partially offset by an increase in operating expense as a percentage of net revenue. Gross margin increased due primarily to service delivery efficiencies partially offset by the unfavorable impact from the wind down of a large contract. The increase in operating expense as a percentage of net revenue was due primarily to increased costs for sales transformation initiatives and increased administrative expenses.

## **LIQUIDITY AND CAPITAL RESOURCES**

### ***Historical Liquidity***

Everett has historically used cash generated by operations and funding provided by Parent as its primary sources of liquidity. Everett's operations have historically participated in cash management and funding arrangements managed by Parent. Cash flows relating to financing activities primarily reflect changes in Parent's investment in Everett. Parent's cash has not been assigned to Everett for any of the periods presented because those cash balances are not directly attributable to Everett.

### ***Future Liquidity***

Prior to its separation from HPE, Everett anticipates issuing approximately \$3.055 billion of new debt to facilitate a debt exchange with HPE and fund a dividend distribution to HPE.

### ***Cash, Debt and Capital Lease Obligations***

Everett's cash and cash equivalents and total debt and capital lease obligations were as follows:

	As of July 31, 2016	As of October 31		
		2015	2014	2013
		In millions		
Cash and cash equivalents . . . . .	\$ 392	\$ 217	\$ 174	\$ 201
Total debt . . . . .	\$ 396	\$ 446	\$ 459	\$ 466
Total capital lease obligations . . . . .	\$2,392	\$2,388	\$2,485	\$3,048

## Cash Flow

Everett's key cash flow metrics were as follows:

	Nine months ended July 31		Fiscal years ended October 31		
	2016	2015	2015	2014	2013
	In millions				
Net cash provided by operating activities .....	\$ 527	\$ 732	\$ 762	\$ 807	\$ 900
Net cash provided by (used in) investing activities .....	34	(42)	(115)	(101)	(179)
Net cash used in financing activities .....	(386)	(649)	(604)	(733)	(707)
Net increase (decrease) in cash and cash equivalents .....	<u>\$ 175</u>	<u>\$ 41</u>	<u>\$ 43</u>	<u>\$ (27)</u>	<u>\$ 14</u>

### Operating Activities

Net cash provided by operating activities decreased by \$205 million for the nine months ended July 31, 2016 as compared to the nine months ended July 31, 2015 due primarily to changes in other operating assets and liabilities, partially offset by a lower net loss. Net cash provided by operating activities decreased by \$45 million for fiscal 2015 as compared to fiscal 2014 due primarily to a higher net loss partially offset by lower cash payments for restructuring. Net cash provided by operating activities decreased by \$93 million for fiscal 2014 as compared to fiscal 2013 due primarily to higher cash payments for restructuring, partially offset by a lower net loss and a reduction in accounts receivable.

### Investing Activities

Net cash provided by investing activities increased by \$76 million for the nine months ended July 31, 2016 as compared to the nine months ended July 31, 2015, primarily due to an increase in cash received from business divestitures and a decrease in cash used for the purchase of property, plant and equipment. Net cash used in investing activities increased by \$14 million for fiscal 2015 as compared to fiscal 2014 due primarily to an increase in cash used for the purchase of property, plant and equipment. Net cash used in investing activities decreased by \$78 million for fiscal 2014 as compared to fiscal 2013 due primarily to an increase in cash received from the sale of property, plant, and equipment.

### Financing Activities

Net cash used in financing activities for the nine months ended July 31, 2016 and 2015, as well as for fiscal 2015, 2014 and 2013 primarily represent Net transfers from Parent, net payments on debt and principal payments on capital lease obligations. As cash and the financing of Everett's operations have historically been managed by Parent, the components of Net transfers from Parent include cash transfers from Everett to Parent and payments by Parent to settle Everett's obligations. These transactions are considered to be effectively settled for cash at the time the transaction is recorded.

## Capital Resources

### Debt Levels

	As of July 31, 2016	As of October 31		
		2015	2014	2013
	Dollars in millions			
Short-term debt .....	\$ 2	\$ 49	\$ 25	\$ 14
Long-term debt .....	\$ 394	\$ 397	\$ 434	\$ 452
Weighted-average interest rate .....	6.94%	6.71%	6.65%	6.64%

Everett's historical debt levels reflect only those debt balances which were the legal obligation of the subsidiaries comprising the businesses of Everett. For more information on Everett's borrowings, see Note 12, "Borrowings and Capital Lease Obligations," to Everett's Combined Financial Statements.

Everett's weighted-average interest rate reflects the effective interest rate on Everett's borrowings prevailing during the period and the effect of interest rate swaps outstanding during fiscal 2013.

### *Capital Lease Obligations*

Capital lease obligations primarily consist of contractual arrangements with Parent's wholly-owned subsidiary, HPE Financial Services.

## **CONTRACTUAL AND OTHER OBLIGATIONS**

Everett's contractual and other obligations as of October 31, 2015, have not changed materially as of July 31, 2016, and were as follows:

	<u>Total</u>	<u>Payments Due by Period</u>			
		<u>1 Year or Less</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>More than 5 Years</u>
		<u>In millions</u>			
Principal payments on long-term debt <sup>(1)</sup> . . . . .	\$ 432	\$ 48	\$ —	\$ 26	\$358
Interest payments on long-term debt <sup>(2)</sup> . . . . .	284	25	46	44	169
Operating lease obligations (net of sublease rental income) . . . . .	1,166	341	410	183	232
Purchase obligations <sup>(3)</sup> . . . . .	1,160	338	563	240	19
Capital lease obligations (includes interest) <sup>(4)</sup> . . . . .	2,631	1,052	1,233	339	7
Total <sup>(5)(6)(7)</sup> . . . . .	<u>\$5,673</u>	<u>\$1,804</u>	<u>\$2,252</u>	<u>\$832</u>	<u>\$785</u>

- (1) Amounts represent the principal cash payments relating to Everett's long-term debt and do not include any fair value adjustments, discounts or premiums.
- (2) Amounts represent the expected interest payments relating to Everett's long-term debt.
- (3) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on Everett and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. These purchase obligations are related principally to software license agreements and other items. Purchase obligations exclude agreements that are cancelable without penalty. Purchase obligations also exclude open purchase orders that are routine arrangements entered into in the ordinary course of business as they are difficult to quantify in a meaningful way. Even though open purchase orders are considered enforceable and legally binding, the terms generally allow Everett the option to cancel, reschedule, and adjust terms based on business needs prior to the delivery of goods or performance of services.
- (4) HPE is contractually required to reduce or modify Everett's existing capital lease arrangements with HPE Financial Services to a contractually agreed upon amount, provided however, that capitalized lease obligations with terms that will expire prior to March 31, 2019 shall not be counted for purposes of this calculation.
- (5) As of October 31, 2015, Everett anticipated making contributions of approximately \$110 million to its non-U.S. pension plans during fiscal 2016. Everett's policy is to fund its pension plans so that it makes at least the minimum contribution required by local government, funding and taxing authorities. As of July 31, 2016, Everett anticipates making remaining contributions of approximately \$32 million to its non-U.S. pension plans. Expected contributions and payments to Everett's pension plans are excluded from the contractual obligations table because they do not represent contractual cash outflows as they are dependent on numerous factors which may result in a wide range of outcomes. For more information on Everett's

retirement and post-retirement benefit plans, see Note 4, “Retirement and Post-Retirement Benefit Plans” to Everett’s Combined Financial Statements and Note 4, “Retirement and Post-Retirement Benefit Plans,” to Everett’s Condensed Combined Financial Statements.

- (6) As of October 31, 2015, Everett expected future cash payments of approximately \$2.3 billion in connection with Everett’s approved restructuring plans. As of July 31, 2016, Everett expects future cash payments of approximately \$1.7 billion in connection with Everett’s approved restructuring plans which includes approximately \$700 million expected to be paid in fiscal 2016 with the remaining approximately \$1.0 billion of cash payments to be made through fiscal 2021. Payments for restructuring have been excluded from the contractual obligations table, because they do not represent contractual cash outflows and there is uncertainty as to the timing of these payments. For more information on Everett’s restructuring activities, see Note 3, “Restructuring,” to Everett’s Combined Financial Statements and Note 3, “Restructuring,” to Everett’s Condensed Combined Financial Statements.
- (7) As of October 31, 2015, Everett had approximately \$347 million of recorded liabilities and related interest and penalties pertaining to uncertain tax positions. These liabilities and related interest and penalties include \$14 million expected to be paid within one year. As of July 31, 2016, Everett had approximately \$350 million of recorded liabilities and related interest and penalties pertaining to uncertain tax positions. These liabilities and related interest and penalties include \$27 million expected to be paid within one year. For the remaining amount, Everett is unable to make a reasonable estimate as to when cash settlement with the tax authorities might occur due to the uncertainties related to these tax matters. Payments of these obligations would result from settlements with taxing authorities. For more information on Everett’s uncertain tax positions, see Note 6, “Taxes on Earnings,” to Everett’s Combined Financial Statements and Note 6, “Taxes on Earnings,” to Everett’s Condensed Combined Financial Statements.

## **OFF-BALANCE SHEET ARRANGEMENTS**

As part of Everett’s ongoing business, Everett has not participated in transactions that generate material relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

## **Quantitative and Qualitative Disclosures About Market Risk**

In the normal course of business, Everett is exposed to foreign currency exchange rate and interest rate risks that could impact Everett’s financial position and results of operations. Everett’s risk management strategy with respect to these market risks may include the use of derivative financial instruments. Everett uses derivative contracts only to manage existing underlying exposures. Accordingly, Everett does not use derivative contracts for speculative purposes. Everett’s risks, risk management strategy and a sensitivity analysis estimating the effects of changes in fair value for each of these exposures is outlined below.

Actual gains and losses in the future may differ materially from the sensitivity analyses based on changes in the timing and amount of foreign currency exchange rate and interest rate movements and Everett’s actual exposures and derivatives in place at the time of the change, as well as the effectiveness of the derivative to hedge the related exposure.

### *Foreign currency exchange rate risk*

Everett is exposed to foreign currency exchange rate risk inherent in Everett’s sales commitments, anticipated sales, anticipated purchases and assets and liabilities denominated in currencies other than the U.S. dollar. Everett transacts business in approximately 79 currencies worldwide, of which the most significant foreign currencies to Everett’s operations for fiscal 2015 were the euro, the British pound, Chinese yuan (renminbi) and the Japanese yen. For most currencies, Everett is a net receiver of the foreign currency and therefore benefits from a weaker U.S. dollar and is adversely affected by a stronger U.S. dollar relative to the

foreign currency. Even where Everett is a net receiver of the foreign currency, a weaker U.S. dollar may adversely affect certain expense figures, if taken alone.

Everett uses a combination of forward contracts and, from time to time, options designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in Everett's forecasted net revenue and, to a lesser extent, cost of revenue and intercompany loans denominated in currencies other than the U.S. dollar. In addition, when debt is denominated in a foreign currency, Everett may use swaps to exchange the foreign currency principal and interest obligations for U.S. dollar-denominated amounts to manage the exposure to changes in foreign currency exchange rates. Alternatively, Everett may choose not to hedge the risk associated with Everett's foreign currency exposures, primarily if such exposure acts as a natural hedge for offsetting amounts denominated in the same currency or if the currency is too difficult or too expensive to hedge.

Everett has performed sensitivity analyses as of October 31, 2015 and 2014, using a modeling technique that measures the change in the fair values arising from a hypothetical 10% adverse movement in the levels of foreign currency exchange rates relative to the U.S. dollar, with all other variables held constant. The analyses cover all of Everett's foreign currency derivative contracts offset by underlying exposures. The foreign currency exchange rates Everett used in performing the sensitivity analyses were based on market rates in effect at October 31, 2015 and 2014. The sensitivity analyses indicated that a hypothetical 10% adverse movement in foreign currency exchange rates would result in a foreign currency exchange fair value loss of \$8 million and \$6 million at October 31, 2015 and 2014, respectively.

#### *Interest rate risk*

Everett is exposed to interest rate risk related to debt issued by Everett and Everett's investment portfolio.

Everett has performed sensitivity analyses as of October 31, 2015 and 2014, using a modeling technique that measures the change in the fair values arising from a hypothetical 10% adverse movement in the levels of interest rates across the entire yield curve, with all other variables held constant. The analyses cover Everett's debt and investments. The analyses use actual or approximate maturities for the debt and investments. The discount rates used were based on the market interest rates in effect at October 31, 2015 and 2014. The sensitivity analyses indicated that a hypothetical 10% adverse movement in interest rates would result in a decrease in the fair values of Everett's debt and investments of \$7 million and \$10 million at October 31, 2015 and 2014, respectively.



## SELECTED HISTORICAL CONDENSED COMBINED FINANCIAL INFORMATION OF EVERETT

The following table presents the selected historical condensed combined financial information of Everett. The Combined Statements of Operations information and the Combined Statements of Cash Flows information for the nine months ended July 31, 2016 and 2015 and the Combined Balance Sheets information as of July 31, 2016 are derived from Everett's unaudited Condensed Combined Financial Statements included in this proxy statement/prospectus-information statement. The Combined Statements of Operations information for each of the three fiscal years ended October 31, 2015 and the Combined Balance Sheets information as of October 31, 2015 and 2014 set forth below are derived from Everett's audited Combined Financial Statements included elsewhere in this proxy statement/prospectus-information statement. The Combined Statements of Operations information for the fiscal years ended October 31, 2012 and 2011, and the Combined Balance Sheets information as of October 31, 2013, 2012 and 2011 are derived from Everett's unaudited Combined Financial Statements that are not included in this proxy statement/prospectus-information statement.

The selected historical combined financial information set forth below should be read in conjunction with Everett's Combined and Condensed Combined Financial Statements and accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Everett" included elsewhere in this proxy statement/prospectus-information statement. Everett's historical condensed combined financial information presented below may not be indicative of its future performance and does not necessarily reflect what Everett's financial position and results of operations would have been had it been operating as a standalone public company during the periods presented, including changes that will occur in its operations and capitalization as a result of the spin-off of Everett and the Merger. See "Unaudited Pro Forma Condensed Combined Financial Information" for a further description of the anticipated changes.

	As of and for the nine months ended July 31		As of and for the fiscal years ended October 31				
	2016	2015	2015	2014	2013	2012	2011
	In millions						
Combined Statements of Operations:							
Net revenue	\$13,444	\$14,233	\$19,032	\$21,862	\$23,676	\$ 26,077	\$26,699
(Loss) earnings from operations <sup>(1)</sup>	\$ (491)	\$ (965)	\$ (1,367)	\$ (1,298)	\$ (970)	\$ (8,484)	\$ 619
Net (loss) earnings <sup>(1)</sup>	\$ (489)	\$ (894)	\$ (1,885)	\$ (1,408)	\$ (1,652)	\$(10,178)	\$ 463
Combined Balance Sheets:							
Total assets <sup>(2)</sup>	\$11,981		\$12,450	\$12,895	\$15,148	\$ 17,076	\$25,779
Long-term debt	\$ 394		\$ 397	\$ 434	\$ 452	\$ 450	\$ 1,639
Total debt <sup>(3)</sup>	\$ 396		\$ 446	\$ 459	\$ 466	\$ 1,592	\$ 1,652
Total capital lease obligations	\$ 2,392		\$ 2,388	\$ 2,485	\$ 3,048	\$ 3,277	\$ 2,632

(1) (Loss) earnings from operations and net (loss) earnings include the following items:

	Nine months ended July 31		For the fiscal years ended October 31				
	2016	2015	2015	2014	2013	2012	2011
	In millions						
Amortization of intangible assets	\$298	\$ 299	\$ 399	\$ 398	\$ 551	\$ 585	\$ 608
Impairment of goodwill	—	—	—	—	—	7,629	—
Restructuring charges	495	356	722	1,048	618	963	526
Separation costs	157	140	258	—	—	—	—
Divestiture charges	13	—	—	—	—	—	—
Defined benefit plan settlement charges	—	186	233	—	—	—	—
Impairment of data center assets	—	136	136	—	—	—	—
Total charges before taxes	\$963	\$1,117	\$1,748	\$1,446	\$1,169	\$9,177	\$1,134
Total charges, net of taxes	\$733	\$ 861	\$1,386	\$1,123	\$ 971	\$9,142	\$ 866

(2) Total assets decreased in fiscal 2012 due primarily to a goodwill impairment charge.

(3) In fiscal 2013, total debt decreased due to maturities.



## SELECTED HISTORICAL CONDENSED CONSOLIDATED FINANCIAL INFORMATION OF CSC

The following selected historical condensed consolidated financial information of CSC as of July 1, 2016 and for the three months ended July 1, 2016 and July 3, 2015 have been derived from the July 1, 2016 unaudited condensed consolidated financial statements of CSC, which are incorporated by reference in this document. The financial information as of July 3, 2015 have been derived from CSC's unaudited condensed consolidated financial statements not included in this document. In the opinion of CSC's management, such unaudited financial statements reflect all adjustments, consisting only of normal and recurring adjustments, necessary for the fair presentation of the interim periods. The selected historical condensed consolidated financial information below is not necessarily indicative of the results of operations or financial condition that may be expected for any future period or date, and the results for the interim periods presented below are not necessarily indicative of the results for the full fiscal year. The financial information as of April 1, 2016 and April 3, 2015 and for the twelve months ended April 1, 2016, April 3, 2015 and March 28, 2014 have been derived from CSC's audited consolidated financial statements incorporated by reference in this document.

The selected historical consolidated financial information of CSC as of and for the years ended March 29, 2013 and March 30, 2012 has been derived from CSC's audited consolidated financial statements which are not included in or incorporated by reference in this document. The selected historical consolidated financial information presented below is not necessarily indicative of the results of operations or financial condition that may be expected for any future period or date. You should read the table below in conjunction with the financial statements of CSC and the notes thereto and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections contained in CSC's Quarterly Report on Form 10-Q as of and for the three months ended July 1, 2016 and Annual Report on Form 10-K as of and for the twelve months ended April 1, 2016, each of which is incorporated by reference in this document. See "Where You Can Find Additional Information."

(in millions)	As of						
	July 1, 2016	July 3, 2015	April 1, 2016 <sup>(6)</sup>	April 3, 2015 <sup>(1),(6)</sup>	March 28, 2014 <sup>(1),(6)</sup>	March 29, 2013 <sup>(1),(6)</sup>	March 30, 2012 <sup>(1),(6)</sup>
Total assets . . . . .	\$8,857	\$10,116	\$7,736	\$10,221	\$11,361	\$11,210	\$11,149
Debt							
Long-term, net of current							
maturities . . . . .	\$2,543	\$ 1,707	\$1,934	\$ 1,635	\$ 2,207	\$ 2,498	\$ 1,486
Short-term . . . . .	551	—	559	—	444	—	43
Current maturities . . . . .	149	911	151	883	237	234	1,211
Total . . . . .	<u>\$3,243</u>	<u>\$ 2,618</u>	<u>\$2,644</u>	<u>\$ 2,518</u>	<u>\$ 2,888</u>	<u>\$ 2,732</u>	<u>\$ 2,740</u>
Total equity . . . . .	<u>\$2,229</u>	<u>\$ 3,014</u>	<u>\$2,032</u>	<u>\$ 2,965</u>	<u>\$ 3,950</u>	<u>\$ 3,166</u>	<u>\$ 2,839</u>
Net debt-to-total capitalization <sup>(7)</sup> . . . . .	41.0%	7.4%	31.4%	8.1%	6.5%	11.5%	29.5%

(in millions, except per-share amounts)	Three Months Ended		Twelve Months Ended				
	July 1, 2016	July 3, 2015 <sup>(3)(6)</sup>	April 1, 2016 <sup>(6)</sup>	April 3, 2015 <sup>(3)(6)</sup>	March 28, 2014 <sup>(3)(6)</sup>	March 29, 2013 <sup>(3)(6)</sup>	March 30, 2012 <sup>(3)(6)</sup>
Revenues .....	\$1,930	\$1,804	\$7,106	\$8,117	\$8,899	\$9,533	\$ 9,788
Costs of services (excludes depreciation and amortization and restructuring costs) .....	\$1,421	\$1,272	\$5,185	\$6,159	\$6,032	\$7,455	\$ 8,124
Selling, general and administrative—							
SEC settlement related charges <sup>(4)</sup> . . .	\$ —	\$ —	\$ —	\$ 197	\$ —	\$ —	\$ —
Restructuring costs .....	\$ 57	\$ —	\$ 23	\$ 256	\$ 74	\$ 251	\$ 139
Debt extinguishment costs <sup>(5)</sup> .....	\$ —	\$ —	\$ 95	\$ —	\$ —	\$ —	\$ —
Goodwill impairment <sup>(2)</sup> .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 232
(Loss) income from continuing operations, before taxes .....	\$ (36)	\$ 72	\$ 10	\$ (671)	\$ 694	\$ (249)	\$ (1,000)
Income tax (benefit) expense .....	\$ (16)	\$ 7	\$ (62)	\$ (464)	\$ 174	\$ (248)	\$ (231)
(Loss) income from continuing operations, net of taxes .....	\$ (20)	\$ 65	\$ 72	\$ (207)	\$ 520	\$ (1)	\$ (769)
Income from discontinued operations, net of taxes .....	\$ —	\$ 102	\$ 191	\$ 224	\$ 448	\$ 780	\$ 171
Net (loss) income attributable to CSC common stockholders .....	\$ (21)	\$ 163	\$ 251	\$ 2	\$ 947	\$ 760	\$ (613)
(Loss) earnings per common share:							
Basic:							
Continuing operations .....	\$ (0.15)	\$ 0.47	\$ 0.51	\$ (1.45)	\$ 3.52	\$ (0.01)	\$ (4.98)
Discontinued operations .....	\$ —	\$ 0.71	\$ 1.31	\$ 1.46	\$ 2.89	\$ 4.92	\$ 1.01
	\$ (0.15)	\$ 1.18	\$ 1.82	\$ 0.01	\$ 6.41	\$ 4.91	\$ (3.97)
Diluted:							
Continuing operations .....	\$ (0.15)	\$ 0.46	\$ 0.50	\$ (1.45)	\$ 3.45	\$ —	\$ (4.98)
Discontinued operations .....	\$ —	\$ 0.69	\$ 1.28	\$ 1.46	\$ 2.83	\$ 4.89	\$ 1.01
	\$ (0.15)	\$ 1.15	\$ 1.78	\$ 0.01	\$ 6.28	\$ 4.89	\$ (3.97)
Cash dividend per common share .....	\$ 0.14	\$ 0.23	\$ 2.99	\$ 0.92	\$ 0.80	\$ 0.80	\$ 0.80

(1) Fiscal 2012 through fiscal 2015 have been adjusted for the adoption of ASU 2015-17 (Topic 740), “Balance Sheet Classification of Deferred Taxes”

(2) Fiscal 2012 goodwill impairment charge related to one reporting unit in the GBS segment.

(3) Fiscal 2012 through fiscal 2015 have been adjusted to present discontinued operations for the divestiture of the Company’s NPS segment in the third quarter of fiscal 2016.

(4) Fiscal 2015 charge related to the settlement of the SEC investigation.

(5) Fiscal 2016 debt extinguishment costs related to the Company’s redemption of all outstanding 6.50% term notes due March 2018.

(6) Certain amounts in fiscal 2012 through fiscal 2016 have been restated as the Company identified certain immaterial errors in previously issued financial statements related to income tax (benefit) expense.

(7) Net debt-to-total capitalization is a non-GAAP measure used by management to assess our ability to service our debts using only our cash and cash equivalents. We present this non-GAAP measure to assist investors in analyzing our capital structure in a more comprehensive way compared to gross debt based ratios alone. Net debt-to-total capitalization is defined as total debt less total cash and cash equivalents divided by the sum of total debt and equity, including non-controlling interest.

## UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

### Unaudited Pro Forma Condensed Combined Financial Statements as of and for the Three Months Ended July 1, 2016 and for the Twelve Months Ended April 1, 2016

The following unaudited pro forma condensed combined financial statements of the combined company (the “pro forma financial statements”) include the unaudited pro forma condensed combined balance sheet (the “pro forma balance sheet”) as of July 1, 2016 and the unaudited pro forma condensed combined statements of operations for the three months ended July 1, 2016 (the “interim pro forma statement of operations”) and the twelve months ended April 1, 2016 (the “twelve month pro forma statement of operations” and, together with the interim pro forma statement of operations, the “pro forma statements of operations”), after giving effect to the Merger and other Transactions.

CSC reports its results based on a fiscal year convention that comprises four thirteen-week quarters. Every fifth year includes an additional week in the first quarter to prevent the fiscal year moving from an approximate end of March date. Everett SpinCo, Inc. (“Everett”) reports its results on a fiscal year basis that ends on October 31. As a consequence of CSC and Everett having different fiscal year end dates, all references to the interim pro forma statement of operations include the results of operations of CSC for the three months ended July 1, 2016 and of Everett for the three months ended July 31, 2016. All references to the twelve month pro forma statement of operations include the results of operations of CSC for the twelve months ended April 1, 2016 and of Everett for the twelve months ended April 30, 2016, which was derived by adding the unaudited condensed combined statement of operations for the six months ended April 30, 2016 to the audited combined statement of operations for the twelve months ended October 31, 2015 and subtracting the unaudited condensed combined statement of operations for the six months ended April 30, 2015.

The pro forma balance sheet combines the historical condensed consolidated balance sheet of CSC as of July 1, 2016, and the historical condensed combined balance sheet of Everett as of July 31, 2016, giving effect to the Merger and other Transactions as if they had been consummated on July 1, 2016. The interim pro forma statement of operations combines the historical condensed consolidated statement of operations of CSC for the three months ended July 1, 2016, and the historical condensed combined statement of operations of Everett for the three months ended July 31, 2016 whereas the twelve month pro forma statement of operations combines the historical consolidated statement of operations of CSC for the twelve months ended April 1, 2016, and the historical condensed combined statement of operations of Everett for the twelve months ended April 30, 2016, each giving effect to the Merger and other Transactions as if they had been consummated on April 4, 2015, the first day of CSC’s fiscal year ended April 1, 2016.

The historical combined and condensed combined financial statements of Everett have been “carved-out” from the consolidated and combined financial statements of Hewlett Packard Enterprise (and its former parent, Hewlett-Packard Company, from which Hewlett Packard Enterprise (“HPE”) was spun off on November 1, 2015), and reflect assumptions and allocations made by HPE. Everett’s historical combined financial statements include HPE assets and liabilities that were specifically identifiable or otherwise attributable to Everett, including subsidiaries and affiliates in which HPE had a controlling financial interest or was the primary beneficiary. Everett’s historical combined financial statements include all revenues and costs directly attributable to Everett and an allocation of expenses related to certain HPE corporate functions. The results of operations in the Everett historical combined financial statements do not necessarily include all expenses that would have been incurred by Everett had it been a separate, stand-alone entity. Actual costs that may have been incurred if Everett had been a stand-alone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure. Consequently, Everett’s historical combined financial statements do not necessarily reflect what Everett’s financial condition and results of operations would have been had Everett operated as a stand-alone company during the periods or as of the dates presented.

The pro forma financial statements have been prepared in accordance with Article 11 of Regulation S-X. The historical financial information has been adjusted in the pro forma financial statements to give effect to pro forma events that are (i) directly attributable to the Merger and other Transactions, (ii) factually supportable, and (iii) with respect to the pro forma statements of operations, expected to have a continuing impact on the consolidated results of operations of the combined company.

The pro forma financial statements were prepared using the acquisition method of accounting with CSC considered the accounting acquirer of Everett. Under the acquisition method of accounting, the purchase price is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair values, with any excess purchase price allocated to goodwill.

The Merger and other Transactions have not been consummated. Accordingly, the pro forma purchase price allocation of Everett's assets to be acquired and liabilities to be assumed is based on preliminary estimates of the fair values of the assets acquired and liabilities assumed, and the pro forma financial statements are based upon currently available information and certain assumptions that management of CSC believes are factually supportable as of the date of this proxy statement/prospectus-information statement. A final determination of the fair value of Everett's assets acquired and liabilities assumed, including goodwill and intangible assets, will be based on the actual net tangible and intangible assets and liabilities of Everett that exist as of the closing date of the Merger and, therefore, cannot be made prior to the completion of the Merger and other Transactions. As a result of the foregoing, the pro forma adjustments are preliminary and are subject to change as additional information becomes available and as additional analyses are performed. These potential changes to the purchase price allocation and related pro forma adjustments could be material.

The pro forma financial statements do not reflect the costs of integration activities or benefits that may result from realization of previously announced anticipated first-year synergies of approximately \$1.0 billion post-close. CSC and Everett expect to incur significant one-time financing and transaction costs, some of which will be capitalized, in connection with the Merger and other Transactions, totaling approximately \$142 million, of which approximately \$25 million has been incurred to date. The financing fees and transaction-related costs are expected to be incurred through transaction closing which is expected to occur on or around April 1, 2017 and will primarily be funded through the Term Facility and the Notes. The transition and integration-related costs will be incurred primarily during the first two fiscal years following the consummation of the Transactions, and will primarily be funded through cash generated from operations. No assurances of the timing or the amount of cost synergies able to be captured, or the costs necessary to achieve those cost synergies, can be provided.

The pro forma financial statements do not reflect any adjustments related to the agreements which Everett and HPE will enter into following the Distribution (as described in detail in the section titled "Additional Agreements Related to the Separation, the Distribution and the Merger" in this proxy statement/prospectus-information statement), as these agreements are not expected to result in any material incremental recurring income or expenses to the combined company following the consummation of the Merger.

The adjustments included in the pro forma financial statements are based upon currently available information and assumptions that management of CSC believes to be reasonable. These adjustments and related assumptions are described in the accompanying notes presented on the following pages.

The pro forma financial statements are for informational purposes only and are not intended to represent or to be indicative of the actual results of operations or financial position that the combined company would have reported had the Merger and other Transactions been completed as of the dates set forth in the pro forma financial statements, and should not be taken as being indicative of the combined company's future consolidated results of operations or financial position. The actual results may differ significantly from those reflected in the pro forma financial statements for a number of reasons, including differences between the assumptions used to prepare the pro forma financial statements and actual amounts.

The pro forma financial statements should be read in conjunction with:

- the accompanying notes to the pro forma financial statements;
- CSC's audited historical consolidated financial statements and related notes as of and for the twelve months ended April 1, 2016, which are incorporated by reference in this proxy statement/prospectus-information statement;
- CSC's unaudited historical condensed consolidated financial statements and related notes as of and for the three months ended July 1, 2016, which are incorporated by reference in this proxy statement/prospectus-information statement;
- Everett's audited historical combined financial statements and related notes as of and for the year ended October 31, 2015, which are included elsewhere in this proxy statement/prospectus-information statement;
- Everett's unaudited historical condensed combined financial statements and related notes as of and for the nine months ended July 31, 2016, which are included elsewhere in this proxy statement/prospectus-information statement; and
- Note 3 to the unaudited pro forma condensed combined financial statements, which present Everett's unaudited historical condensed combined financial information for the six months ended April 30, 2016 and 2015, which has been derived from the underlying historical financial records of Everett, and which are not included in this proxy statement/prospectus-information statement.

# **UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET AS OF JULY 1, 2016**

	Historical				
	CSC as of July 1, 2016	Everett as of July 31, 2016		Transaction Adjustments	Pro Forma Combined
(in millions)					
ASSETS					
Current assets:					
Cash and cash equivalents . . . . .	\$1,000	\$ 392	\$ —	\$ (437) 8A	\$ 955
Receivables, net . . . . .	1,983	3,279	336 7A	—	5,598
Financing receivables . . . . .	—	140	(140) 7A	—	—
Prepaid expenses and other current assets . . . . .	421	1,773	(779) 7A	—	1,415
Total current assets . . . . .	3,404	5,584	(583)	(437)	7,968
Software, net . . . . .	854	—	93 7A	—	947
Outsourcing contract costs, net . . . . .	331	—	1,362 7A	(1,362) 8B	331
Goodwill . . . . .	1,817	—	—	4,675 8C	6,492
Intangible assets . . . . .	—	32	—	4,468 8D	4,500
Other assets . . . . .	1,101	1,879	(666) 7A	(57) 8E	2,257
Deferred income taxes, net . . . . .	338	—	132 7A	176 8F	646
Property and equipment, net . . . . .	1,012	4,214	(66) 7A	(343) 8G	4,817
Long-term financing receivables . . . . .	—	272	(272) 7A	—	—
Total Assets . . . . .	<u>\$8,857</u>	<u>\$11,981</u>	<u>\$ —</u>	<u>\$ 7,120</u>	<u>\$27,958</u>
LIABILITIES AND EQUITY					
Current liabilities:					
Short-term debt and current maturities of long-term debt . . . . .	\$ 700	\$ 2	\$ 799 7A	\$ (610) 8H	\$ 891
Capital lease obligations, short-term . . .	—	799	(799) 7A	—	—
Accounts payable . . . . .	368	837	—	—	1,205
Accrued payroll and related costs . . . . .	331	798	—	283 8I	1,412
Accrued expenses and other current liabilities . . . . .	778	1,213	415 7A	—	2,406
Deferred revenue and advance contract payments . . . . .	576	981	—	(713) 8J	844
Accrued restructuring . . . . .	—	415	(415) 7A	—	—
Income taxes payable . . . . .	10	61	—	—	71
Total current liabilities . . . . .	2,763	5,106	—	(1,040)	6,829
Long-term debt, net of current maturities . . . . .	2,543	394	1,593 7A	2,391 8H	6,921
Capital lease obligations, long-term . . . . .	—	1,593	(1,593) 7A	—	—
Non-current deferred revenue . . . . .	345	—	1,031 7A	(749) 8J	627
Pension obligations . . . . .	222	—	1,791 7A	(1,409) 8K	604
Deferred tax liabilities . . . . .	221	—	31 7A	1,595 8L	1,847
Non-current income tax liabilities . . . . .	191	—	—	—	191
Other liabilities . . . . .	343	3,251	(2,853) 7A	1 8M	742
Total Liabilities . . . . .	6,628	10,344	—	789	17,761
Commitments and Contingencies					
Stockholders' equity:					
Preferred stock . . . . .	—	—	—	—	—
Common stock . . . . .	151	—	—	—	151
Additional paid-in capital . . . . .	2,487	—	—	8,074 8N	10,561
Parent company investment . . . . .	—	3,732	—	(3,732) 8N	—
Accumulated deficit . . . . .	(10)	—	—	(135) 8N	(145)
Accumulated other comprehensive (loss) . . . . .	(169)	(2,124)	—	2,124 8N	(169)
Treasury stock, at cost . . . . .	(491)	—	—	—	(491)
Total stockholders' equity . . . . .	1,968	1,608	—	6,331	9,907
Noncontrolling interests in subsidiaries . . . . .	261	29	—	—	290
Total Equity . . . . .	<u>2,229</u>	<u>1,637</u>	<u>—</u>	<u>6,331</u>	<u>10,197</u>
Total Liabilities and Equity . . . . .	<u>\$8,857</u>	<u>\$11,981</u>	<u>\$ —</u>	<u>\$ 7,120</u>	<u>\$27,958</u>

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS  
FOR THE THREE MONTHS ENDED JULY 1, 2016**

	<b>Historical</b>				
	<b>CSC for the Three Months Ended July 1, 2016</b>	<b>Everett for the Three Months Ended July 31, 2016</b>	<b>Reclassifications</b>	<b>Transaction Adjustments</b>	<b>Pro Forma Combined</b>
<b>(in millions, except per share amounts)</b>					
Revenues .....	\$ 1,930	\$4,484	\$ —	\$ —	\$ 6,414
Costs and expenses:					
Costs of services .....	1,421	3,833	(272) 7B	84 9A	5,066
Selling, general and administrative .....	305	438	(82) 7B	(5) 9B	656
Depreciation and amortization ...	166	—	456 7B	(83) 9C	539
Amortization of intangible assets .....	—	99	(99) 7B	—	—
Restructuring costs .....	57	276	—	—	333
Separation costs .....	—	92	—	(70) 9D	22
Divestiture charges .....	—	3	(3) 7B	—	—
Interest expense .....	25	—	50 7B	14 9E	89
Interest income .....	(10)	—	(12) 7B	—	(22)
Other expense (income), net .....	2	—	5 7B	—	7
Total costs and expenses .....	1,966	4,741	43	(60)	6,690
Interest and other, net .....	—	(44)	44 7B	—	—
Loss from continuing operations before taxes .....	(36)	(301)	1	60	(276)
Income tax benefit .....	(16)	(110)	—	22 9F	(104)
Loss from continuing operations .....	(20)	(191)	1	38	(172)
Less: net income attributable to noncontrolling interests, net of tax .....	1	—	1 7B	—	2
Loss from continuing operations attributable to the company .....	<u>\$ (21)</u>	<u>\$ (191)</u>	<u>\$ —</u>	<u>\$ 38</u>	<u>\$ (174)</u>
Loss per common share:					
Basic .....	\$ (0.15)				\$ (0.62)
Diluted .....	\$ (0.15)				\$ (0.62)
Weighted-average common shares:					
Basic .....	138.98			142.44 9G	281.42
Diluted .....	138.98			142.44 9G	281.42

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS  
FOR THE TWELVE MONTHS ENDED APRIL 1, 2016**

	Historical				
	CSC for the Twelve Months Ended April 1, 2016	Everett for the Twelve Months Ended April 30, 2016	Reclassifications	Transaction Adjustments	Pro Forma Combined
(in millions, except per share amounts)					
Revenues	\$ 7,106	\$18,548	\$ —	\$ —	\$25,654
Costs and expenses:					
Costs of services	5,185	16,239	(1,006) 7B	378 9A	20,796
Selling, general and administrative	1,040	1,685	(141) 7B	(10) 9B	2,574
Depreciation and amortization	658	—	1,789 7B	(315) 9C	2,132
Amortization of intangible assets	—	399	(399) 7B	—	—
Restructuring costs	23	606	—	—	629
Separation costs	19	270	—	—	289
Divestiture charges	—	10	(10) 7B	—	—
Interest expense	123	—	184 7B	55 9E	362
Interest income	(38)	—	(36) 7B	—	(74)
Defined benefit plan settlement charges	—	233	(233) 7B	—	—
Impairment of data center assets	—	136	—	—	136
Debt extinguishment cost	95	—	—	—	95
Other income, net	(9)	—	2 7B	—	(7)
Total costs and expenses	7,096	19,578	150	108	26,932
Interest and other, net	—	(155)	155 7B	—	—
Income (loss) from continuing operations before taxes	10	(1,185)	5	(108)	(1,278)
Income tax (benefit) expense	(62)	522	—	(27) 9F	433
Income (loss) from continuing operations	72	(1,707)	5	(81)	(1,711)
Less: net income attributable to noncontrolling interests, net of tax	1	—	5 7B	—	6
Income (loss) from continuing operations attributable to the company	\$ 71	\$ (1,707)	\$ —	\$ (81)	\$ (1,717)
Earnings (loss) per common share:					
Basic	\$ 0.51				\$ (6.10)
Diluted	\$ 0.50				\$ (6.10)
Weighted-average common shares:					
Basic	138.28			143.14 9G	281.42
Diluted	141.33			140.09 9G	281.42



## **Notes to the Unaudited Pro Forma Condensed Combined Financial Statements**

### **Note 1: Basis of Presentation**

The transaction between CSC and Everett is a reverse merger acquisition, with Everett representing the legal acquirer of the business and CSC representing the accounting acquirer. The accompanying pro forma financial statements were prepared in accordance with Article 11 of Regulation S-X and present the pro forma balance sheet and pro forma statements of operations of CSC based upon the historical financial statements of each of CSC and Everett, after giving effect to the Merger and other Transactions and are intended to reflect the impact of the Merger and other Transactions on CSC's consolidated financial statements. The historical financial statements of CSC and Everett have been adjusted in the accompanying pro forma financial statements to give effect to pro forma events that are (i) directly attributable to the Merger and other Transactions, (ii) factually supportable, and (iii) with respect to the statements of operations, expected to have a continuing impact on the consolidated results of operations of the combined company.

The accompanying pro forma financial statements are presented for illustrative purposes only and do not purport to be indicative of the actual results that would have been achieved by CSC if the Merger and other Transactions had been consummated for the periods presented or that will be achieved in the future. The pro forma financial statements do not reflect the costs of any integration activities or benefits that may result from realization of revenue or net cost synergies expected to result from the Merger. In addition, throughout the periods presented in the pro forma financial statements, the operations of Everett were conducted and accounted for as part of HPE using accounting conventions applicable to HPE which may differ in the future. The audited historical combined financial statements and unaudited historical condensed combined financial statements of Everett have been derived from HPE's (and its former parent's, Hewlett-Packard Company, from which HPE was spun off on November 1, 2015) historical accounting records and reflect certain allocations of direct costs and expenses. All of the allocations and estimates in such financial statements are based on assumptions that HPE's management believes are reasonable. The historical combined and condensed combined financial statements of Everett do not necessarily represent the financial position or results of operations of Everett had it been operated as a stand-alone company during the periods or at the dates presented.

### **Note 2: Accounting Policies**

Acquisition accounting rules require evaluation of certain assumptions and estimates, as well as determination of financial statement classifications that are completed during the measurement period, as defined in current accounting standards in accordance with US GAAP. For the purposes of preparing the pro forma financial statements, CSC management has conducted a preliminary analysis of the adjustments required to conform Everett's historical financial statements to reflect the current CSC accounting policies. CSC management's assessment is ongoing and, at the time of preparing the pro forma financial statements, other than the pension accounting adjustment made herein (and further discussed below), management is not aware of any other material policy differences or necessary financial statement reclassifications. Upon consummation of the Merger and other Transactions, CSC management will conduct an in-depth review of Everett's accounting policies in an effort to determine if additional differences in accounting policies and/or financial statement classification exist that may require additional adjustments to or reclassification of Everett's results of operations, assets or liabilities to conform to CSC's accounting policies and classifications. As a result of that review, CSC management may identify differences that, when conformed, could have a material impact on the pro forma financial statements.

As a result of the preliminary analysis, CSC identified the need to conform the accounting policy of Everett related to pension accounting as CSC recognizes changes in actuarial gains and losses and the changes in fair value of plan assets in earnings at the time of plan re-measurement, typically annually at the end of the fourth quarter of each year, as a component of net periodic benefit expense whereas Everett amortizes unrecognized actuarial gains and losses over the average remaining service life or, in the case of frozen plans, life expectancy of participants as a component of accumulated other comprehensive loss. In some cases, Everett amortizes

actuarial gains and losses using the corridor approach. Refer to Notes 8 and 9 for additional information on how this accounting policy difference has been reflected in the pro forma balance sheet and pro forma statement of operations, respectively.

### Note 3: Historical Everett

Because of the differences in the CSC and Everett fiscal year ends, the following table presents the historical Everett condensed combined statement of operations for the twelve months ended April 30, 2016, which was derived by adding the unaudited condensed combined statement of operations for the six months ended April 30, 2016 to the audited combined statement of operations for the twelve months ended October 31, 2015 and subtracting the unaudited condensed combined statement of operations for the six months ended April 30, 2015.

(in millions)	Historical			Unaudited Twelve Months Ended April 30, 2016
	Audited Twelve Months Ended Oct 31, 2015	Unaudited Six Months Ended April 30, 2016	Unaudited Six Months Ended April 30, 2015	
Net revenue	\$19,032	\$8,960	\$ 9,444	\$18,548
Costs and expenses:				
Cost of revenue	16,844	7,874	8,479	16,239
Selling, general and administrative	1,807	827	949	1,685
Amortization of intangible assets	399	199	199	399
Restructuring charges	722	219	335	606
Separation costs	258	65	53	270
Divestiture charges	—	10	—	10
Defined benefit plan settlement charges	233	—	—	233
Impairment of data center assets	136	—	—	136
Total costs and expenses	20,399	9,194	10,015	19,578
Loss from operations	(1,367)	(234)	(571)	(1,030)
Interest and other, net	(179)	(81)	(105)	(155)
Loss before taxes	(1,546)	(315)	(676)	(1,185)
Income tax provision (benefit)	339	(17)	(200)	522
Net loss	<u>\$ (1,885)</u>	<u>\$ (298)</u>	<u>\$ (476)</u>	<u>\$ (1,707)</u>

The financial information presented in the “Historical Everett” column of the interim pro forma statement of operations represents the historical condensed combined statement of operations for Everett for the three months ended July 31, 2016. This information was derived by subtracting the unaudited condensed combined statement of operations for the six months ended April 30, 2016 from the unaudited condensed combined statement of operations for the nine months ended July 31, 2016.

### Note 4: Purchase Price Allocation

The transaction between CSC and Everett is a reverse merger acquisition, with Everett representing the legal acquirer of the business and CSC representing the accounting acquirer. While purchase consideration transferred in a business combination is typically measured by reference to the fair value of equity issued or other assets transferred by the accounting acquirer, CSC is not issuing any consideration in the Merger. Accordingly, the fair value of the purchase consideration transferred was measured based on the number of shares of common stock

CSC would have to issue to give the stockholders of HPE the same 50.1% interest in the combined company that results from the reverse acquisition. Additionally, Everett stock options and debt assumed by CSC were included in the consideration transferred and purchase price, respectively. The consideration transferred was utilized in the preliminary purchase price allocation and calculation of goodwill for inclusion in the pro forma financial statements.

The pro forma balance sheet has been adjusted to reflect the allocation of the preliminary estimated purchase price to identifiable assets to be acquired and liabilities to be assumed, with the excess recorded as goodwill. The final purchase price allocation may be different than that reflected in the pro forma preliminary purchase price allocation presented herein, and these differences may be material. The purchase price allocation in these pro forma financial statements is based upon an estimated purchase price of approximately \$11.4 billion. This amount was derived in accordance with the Merger Agreement, as described further below and is subject to adjustment based on Everett's working capital in accordance with the terms of the Separation and Distribution Agreement, as described in the proxy statement/prospectus-information statement section entitled "The Transactions".

The following table represents the preliminary estimate of the purchase price to be paid in the Merger, excluding an estimate for the working capital adjustment and assuming no true-up adjustment pursuant to the Merger Agreement (in millions):

Preliminary fair value of purchase consideration received by HPE stockholders <sup>(i)</sup> . . . . .	\$ 7,824
Preliminary fair value of Everett options assumed by CSC <sup>(ii)</sup> . . . . .	119
Consideration to be transferred . . . . .	<u>\$ 7,943</u>
Preliminary fair value of Everett new indebtedness assumed by CSC <sup>(iii)</sup> . . . . .	3,037
Preliminary fair value of Everett historical indebtedness assumed by CSC <sup>(iv)</sup> . . . . .	396
Total accounting consideration . . . . .	<u><u>\$11,376</u></u>

- (i) Represents the preliminary fair value of consideration received by HPE stockholders to give them 50.1% ownership in the combined company. The preliminary fair value of the purchase consideration transferred was estimated based on approximately 141 million of hypothetical shares of common stock CSC would have to issue to HPE stockholders which was estimated based on CSC's market capitalization of \$7.8 billion, outstanding shares of approximately 140 million and a closing price of \$55.49 per share on October 21, 2016.
- (ii) Prior to the closing date of the Merger, HPE will cause the vesting of all outstanding Everett stock based compensation awards that were outstanding as of May 24, 2016. Everett stock based compensation awards granted after May 24, 2016 will not vest as a result of the Merger. Effective with the Merger, any HPE stock option or unvested restricted stock unit held by an Everett employee who remains employed by Everett as of immediately prior to the Merger, that is outstanding and unexercised as of immediately prior to the Merger, will be converted into a stock based compensation award (the "Replacement Award") of the combined company and will be subject to the same terms and conditions after the Merger as the terms and conditions applicable to the corresponding HPE stock based compensation award. Accordingly, this balance represents the estimated fair value of the Replacement Award issued to Everett employees assuming a 2.6:1 share exchange ratio and a pro-rata adjustment to the HPE stock based compensation award strike price as of October 21, 2016. The estimated fair value was calculated using the Black-Scholes-Merton model. In calculating the estimated fair value of the Replacement Awards, CSC used the following weighted-average assumptions:

Risk free interest rate . . . . .	1.79%
Expected volatility . . . . .	31%
Expected term (in years) . . . . .	3.4
Dividend yield . . . . .	1.01%

- (iii) Represents the estimated fair value of the debt Everett expects to issue immediately prior to the Distribution. See the sections titled “The Transactions” and “Debt Financing” in this proxy statement/prospectus-information statement for more information. See Note 5 for further pro forma impacts of these financing transactions.
- (iv) Represents the estimated fair value of the historical Everett debt at July 31, 2016. For pro forma purposes, it is assumed that book value approximates fair value. The final fair value of the assumed Everett debt may be materially different based on the fair value of the outstanding Everett debt assumed on the closing date of the Merger.

The actual value of the consideration to be received by HPE stockholders and the estimated fair value of the Replacement Awards in the Merger will depend on the market price of shares of CSC common stock at the closing date of the Merger, and therefore the actual purchase price will fluctuate with the market price of CSC common stock until the Merger is consummated. As a result, the final purchase price could differ significantly from the current estimate, which could materially impact the pro forma financial statements. A 5% difference in CSC’s stock price would change the purchase price by approximately \$390 million, with a corresponding change to goodwill.

The preliminary estimated purchase price is allocated as follows (in millions):

Total current assets . . . . .	\$ 4,609
Property and equipment, net <sup>(i)</sup> . . . . .	3,805
Intangible assets <sup>(ii)</sup> . . . . .	4,500
Other assets <sup>(iii)</sup> . . . . .	<u>1,516</u>
Total assets acquired . . . . .	\$14,430
Total current liabilities <sup>(iv)</sup> . . . . .	\$ 4,066
Long-term debt, net of current maturities <sup>(v)</sup> . . . . .	4,378
Deferred tax liabilities <sup>(vi)</sup> . . . . .	1,626
Other liabilities <sup>(vii)</sup> . . . . .	<u>1,063</u>
Total liabilities assumed . . . . .	\$11,133
Net identifiable assets acquired . . . . .	3,297
Add: Fair value of noncontrolling interests <sup>(viii)</sup> . . . . .	(29)
Goodwill . . . . .	<u>4,675</u>
Total consideration to be transferred . . . . .	<u>\$ 7,943</u>

- (i) The property and equipment acquired in the Merger consists of land, land improvements, building and equipment, personal property, and construction in progress. Preliminary valuations have been performed for land, land improvements and buildings. Everett’s historical carrying value for equipment, personal property and construction in progress is assumed to equal fair value. Given the preliminary nature of the valuation performed and the above assumptions, the final valuation may be materially different since more detailed information will become available after the consummation of the Merger.
- (ii) The identifiable intangible asset fair value estimates are based on a preliminary valuation and may change. The identifiable intangible assets associated with the Merger consist of customer relationships and developed technology with an estimated fair value of \$4.5 billion. The final valuation may be materially different and may result in the identification of additional intangible assets as more detailed information will become available after the consummation of the Merger. See Note 8 (D) for further details on the intangible assets fair value adjustment.
- (iii) Other assets is net of an adjustment to remove Everett’s deferred contract costs of \$1.4 billion as these deferred contract costs do not meet the definition of an acquired asset as defined in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 805 “Business Combinations”.

- (iv) Total current liabilities include adjustments (1) for \$60 million of current debt outstanding related to the new Everett borrowings (see Note 5 for additional information) and (2) to decrease Everett's recorded value of short-term deferred revenue and advance contract payments from \$1.0 billion to \$268 million, its estimated remaining future service obligations, as part of the purchase price allocation based on the preliminary valuation. The fair value and estimated future service obligation assigned to deferred revenue has been estimated based on a preliminary valuation. The final purchase price allocation will be based on a complete analysis and may result in a materially different allocation for deferred revenue and advance contract payments than presented in these unaudited pro forma condensed combined financial statements. The impact of this adjustment is not reflected in the pro forma statements of operations, since it will not have a recurring effect.
- (v) See Note 5 for further details on this debt, including \$394 million of historical long-term debt, \$3.0 billion of long-term debt related to the new Everett borrowings (excluding the current maturities of long-term debt of \$60 million), and \$1.0 billion of long-term capital lease liability assumed to be representing the remaining long term capital lease liability after adjusting the total capital lease liability to the contractually agreed upon amount (see Note 6 for additional information). As the debt is expected to be issued shortly before the consummation of the Merger, the preliminary fair value is calculated assuming that the terms of the debt approximate current market participant assumptions and that market participants would incur approximately the same amount of costs as Everett to obtain the financing.
- (vi) This balance includes the deferred tax liability resulting from the fair value adjustments for the identifiable intangible assets, property and equipment, and deferred revenue. This estimate of deferred tax liability was determined based on the book and tax basis differences attributable to the identifiable intangible assets acquired and liabilities assumed based on estimated global statutory tax rates of the combined company ranging from 25% to of 35%. The combined global statutory tax rate was based upon the expected jurisdictions in which the combined company expects to operate. The goodwill recognized in the Merger is not expected to be deductible for income tax purposes. The final deferred tax liability may be materially different as more detailed information will become available after the consummation of the Merger.
- (vii) Other liabilities includes an adjustment to decrease Everett's recorded value of non-current deferred revenue from \$1.0 billion to \$282 million, its estimated remaining future service obligations as part of the purchase price allocation based on the preliminary valuation. The final purchase price allocation will be based on a complete analysis and may result in a materially different allocation for deferred revenue than presented in these unaudited pro forma condensed combined financial statements. The impact of this adjustment has not been reflected within the pro forma statements of operations, since it will not have a recurring effect.
- (viii) The preliminary fair value of noncontrolling interests is assumed to approximate its carrying value for the pro forma financial statements. The final valuation may be different as more detailed information will become available after the consummation of the Merger.

For all other assets acquired and liabilities assumed, as noted above, book value is assumed to approximate the preliminary fair value. The final valuation may be materially different as more detailed information will become available after the consummation of the Merger. Any change in the above assumptions would result in a corresponding change in goodwill.

Refer to Note 8 for additional information on how the adjustments described above have been reflected in the pro forma balance sheet.

#### **Note 5: Financing Adjustments**

On or about the closing date of the Merger, Everett expects to issue new indebtedness of approximately \$1.5 billion under the Term Facility and \$1.6 billion under the Notes, respectively, net of \$18 million of estimated debt issuance costs. The Financing is expected to bear interest at an average rate of approximately 3.4% with maturity dates between three and ten years, respectively. The actual capital raised, including both the aggregate size and the individual tranche size and the interest rates, may change based on future market conditions.

The following table presents the assumed debt as a result of the Merger and other Transactions (in millions):

The Term Facility, current (i) . . . . .	\$ 60
The Term Facility, long-term (i) . . . . .	1,430
The Notes, long-term (ii) . . . . .	<u>1,547</u>
Total pro forma adjustments to debt . . . . .	<u>\$3,037</u>
Assumed historical Everett debt, current (iii) . . . . .	2
Assumed historical Everett debt, long-term (iii) . . . . .	394
Capitalized lease liabilities, short-term (iv) . . . . .	129
Capitalized lease liabilities, long-term (iv) . . . . .	<u>1,007</u>
Total new and assumed debt by CSC . . . . .	<u>\$4,569</u>

- (i) The Term Facility is expected to require quarterly principal repayments, depending upon tenure, and for pro forma purposes it is assumed to have quarterly payments totaling \$60 million annually; accordingly, this amount has been presented as current in the unaudited pro forma balance sheet. The long-term portion of the Term Facility is presented net of \$10 million of estimated debt issuance costs, which represents the approximate amount of costs that market participants would incur to obtain similar financing.
- (ii) The Notes have no annual principal repayment or sinking fund payment requirements until maturity; accordingly, the entire balance of the Notes has been reflected as long-term in the unaudited pro forma balance sheet. The Notes are presented net of \$8 million of estimated debt issuance costs, which represents the approximate amount of costs that market participants would incur to obtain similar financing.
- (iii) Represents the current and long-term component of Everett historical debt assumed by CSC at the completion of the Merger, which includes approximately \$80 million in indebtedness which is subject to final agreement on transferability to Everett.
- (iv) Represents the current and long-term portion of the contractually agreed upon amount of capital lease liability (see Note 6 for additional information).

The interim pro forma statement of operations and twelve month pro forma statement of operations reflect adjustments to Interest expense of \$27 million and \$105 million, respectively, which represent an estimate of interest expense calculated using the effective interest method on the additional indebtedness to be incurred in connection with the Merger and the other Transactions. These adjustments were calculated as if the new debt were entered into on April 4, 2015, the beginning of the earliest period presented.

The adjustment to record interest expense for the three months ended July 1, 2016 and twelve months ended April 1, 2016 is estimated based on the expected terms of the new term loan and new senior notes discussed above. For each 0.125% change in estimated interest rates on the variable rate debt, interest expense would increase or decrease by approximately \$1 million for the three months ended July 1, 2016 and approximately \$4 million for the twelve months ended April 1, 2016, respectively.

Refer to Note 8 and Note 9 for additional information on how the adjustments described above have been reflected in the pro forma financial statements.

#### **Note 6: Transfers of Assets and Liabilities**

At or near the consummation of the Merger and other Transactions, HPE will engage in the following transactions with Everett pursuant to the terms of the Separation and Distribution Agreement and Merger Agreement:

- (a) Transfer certain corporate and other assets and liabilities to Everett. The transfers will include a portion of HPE's global real estate portfolio and IT assets as well as accrued compensation and benefits related to corporate and global functional personnel being transferred to Everett in connection with the Transactions;



- (b) Transfer certain pension plan assets and liabilities to Everett associated with active, retired and other former employees of Everett. The corresponding adjustment to Everett's statement of operations includes the impact of adopting CSC's accounting policy for the immediate recognition of pension gains and losses;
- (c) Fund Everett's pension obligations such that the transferred net pension liability does not exceed \$570 million. The following table summarizes the adjustments to the pension liability:

(in millions)	Historical Everett as of July 31, 2016	Removal of historical pension balances	Insertion of new pension liability	Pension funding adjustment	Adjusted Everett as of July 31, 2016
Other assets (see Note 8 (E)) . . . . .	\$ 46	\$ (46)	\$ —	\$ —	\$ —
Pension assets . . . . .	46	(46)	—	—	—
Accrued payroll and related costs (see Note 8 (I)) . . . . .	21	(21)	188	—	188
Pension obligations (see Note 8 (K)) . . . . .	1,791	(1,791)	2,075	(1,693)	382
Pension liabilities . . . . .	1,812	(1,812)	2,263	(1,693)	570
Net pension liability . . . . .	<u>\$1,766</u>	<u>\$(1,766)</u>	<u>\$2,263</u>	<u>\$(1,693)</u>	<u>\$ 570</u>

- (d) Modify Everett's existing capital lease arrangements with HPE Financial Services to reduce the capital lease obligation to the contractually agreed upon amount, which at July 31, 2016 is approximately \$1.1 billion, provided however, that capitalized lease obligations with terms that will expire prior to March 31, 2019 shall not be counted for purposes of this calculation. It is expected that the capital lease liability related to the contractually agreed upon amount will be approximately \$650 million on the closing date of the Merger. For more information see "Separation and Distribution Agreement" in the accompanying proxy statement/prospectus-information statement.

Refer to Note 8 for additional information on how the adjustments described above have been reflected in the pro forma balance sheet.

#### **Note 7: Reclassifications**

Certain reclassifications have been made relative to the historical financial statements of Everett to conform to the financial statement presentation of CSC.

(A) Everett Balance Sheet line items were reclassified as follows:

- (i) Financing receivables out of Financing receivables and into Prepaid expenses and other current assets;
- (ii) Value added tax receivable reclassified out of Prepaid expenses and other current assets and into Receivables, net;
- (iii) Current deferred outsourcing costs reclassified out of Prepaid expenses and other current assets and into Outsourcing contract costs, net;
- (iv) Noncurrent deferred outsourcing costs reclassified out of Other assets and into Outsourcing contract costs, net;
- (v) Deferred tax assets were reclassified out of Other assets and into Deferred income taxes, net;
- (vi) Software reclassified out of Property and equipment, net and Other assets and into Software, net;
- (vii) Noncurrent financing receivables out of Long-term financing receivables and into Other assets;
- (viii) Short-term capital lease obligations reclassified out of Capital lease obligations, short-term and into Short-term debt and current maturities of long-term debt;

- (ix) Restructuring reclassified out of Accrued restructuring and into Accrued expenses and other current liabilities;
  - (x) Long-term capital lease obligations reclassified out of Capital lease obligations, long-term and into Long-term debt, net of current maturities;
  - (xi) Non-current deferred revenue reclassified out of Other liabilities and into Non-current deferred revenue;
  - (xii) Pension liabilities reclassified out of Other liabilities and into Pension obligations; and
  - (xiii) Deferred tax liabilities were reclassified out of Other liabilities and into Deferred tax liabilities.
- (B) Everett Statement of Operations line items were reclassified as follows:
- (i) Depreciation and amortization reclassified out of Costs of services and Selling, general and administrative and into Depreciation and amortization;
  - (ii) Benefit plan settlement charges reclassified out of Defined benefit plan settlement charges and into Costs of services and Selling, general and administrative;
  - (iii) Amortization reclassified out of Amortization of intangible assets and into Depreciation and amortization;
  - (iv) Noncontrolling interests reclassified out of Interest and other, net and into Net income attributable to noncontrolling interests, net of tax;
  - (v) Interest expense, interest income and other expense (income) reclassified out of Interest and other, net and into Interest expense, Interest income, and Other expense (income), net respectively; and
  - (vi) Transaction related expenses reclassified out of Divestiture charges and into Selling, general and administrative

#### **Note 8: Pro Forma Balance Sheet Adjustments**

The pro forma balance sheet reflects the following adjustments (in millions):

- (A) Cash and cash equivalents were adjusted as follows:

	<u>Increase (Decrease)</u>
Estimated financing and transaction costs <sup>(i)</sup> . . . . .	\$(117)
Other transaction adjustments <sup>(ii)</sup> . . . . .	(320)
Total pro forma adjustment to Cash and cash equivalents . . . . .	<u>\$(437)</u>

- (i) Represents estimated financing and transaction related costs to be incurred by Everett (\$72 million) and CSC (\$45 million), respectively, related to the Merger and other Transactions.
  - (ii) As stipulated within the Separation and Distribution Agreement, HPE will retain all cash held by Everett on the closing date of the Merger and other Transactions. Accordingly, this represents the removal of Everett cash, net of \$72 million of financing and transaction costs.
- (B) Outsourcing contract costs were adjusted as described in Note 4.
- (C) Goodwill associated with the Merger was adjusted as more fully described in Note 4. The adjustment is primarily due to the synergies expected to be achieved by combining the businesses of CSC and Everett, expected future contracts, as well as the acquired workforce. The cost-saving opportunities are expected to include improved operating efficiencies and asset optimization.



(D) Intangible assets, net was adjusted as follows:

	<u>Increase (Decrease)</u>
Elimination of Everett historical intangible assets .....	\$ (32)
Preliminary fair value of acquisition-related intangible assets <sup>(i)</sup> .....	4,500
Total pro forma adjustment to Intangible assets, net .....	<u>\$4,468</u>

- (i) Of the total consideration, approximately \$4.5 billion is estimated to be the preliminary fair value of identified intangible assets, which consist of customer intangibles and developed technology with preliminary estimated useful lives of 13 and 7 years, respectively. Refer to Note 4 for additional information.

The fair value of identifiable intangible assets is determined primarily using the “income approach”, which is a valuation technique that provides an estimate of the fair value of an asset based on market participant expectations of the cash flows an asset would generate over its remaining useful life. Some of the more significant assumptions inherent in the development of the identifiable intangible asset valuation, from the perspective of a market participant, include the estimated future after-tax cash flows that will be received for the intangible asset, the appropriate discount rate selected in order to measure the risk inherent in each future cash flow stream, the assessment of each asset’s life cycle, and competitive trends impacting the asset and each cash flow stream. In addition, the discount rate selected is a significant assumption utilized to value the intangible asset, which is based on market participant assumptions for rates of return for similar assets and reflects the risks inherent in the cash flow stream based on the nature of the asset. No assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change. For these and other reasons, actual results may vary significantly from estimated results.

The estimated fair value for this pro forma presentation of the customer relationships intangible asset was measured using the multi-period excess earnings method. The principle behind the multi-period excess earnings method is that the value of an intangible is equal to the present value of the incremental after-tax cash flows attributable to the subject intangible asset, after taking charges for the use of other assets employed by the business. Significant assumptions required for this method are revenue growth rates, expected attrition rates for the existing customer portfolio, probabilities of renewal for existing contracts and related relationships, contributory asset charges and an appropriate market-based discount rate.

The estimated fair values for this pro forma presentation for the developed technology was measured using the relief from royalty method. The principle behind this method is the value of an intangible is equal to the present value of the after-tax royalty savings attributable to owning the asset. Significant assumptions required for this method are determining an earning measure to estimate a royalty payment stream, selecting an arm’s length royalty rate, the assets’ remaining economic life and pattern of life cycle, and an appropriate market-based discount rate.

(E) Other assets were adjusted as follows:

	<u>Increase (Decrease)</u>
Pension transfers <sup>(i)</sup> .....	\$(46)
Debt issuance costs <sup>(ii)</sup> .....	(11)
Total pro forma adjustment to Other assets .....	<u>\$(57)</u>

- (i) Represents the removal of historical pension plan assets of Everett, as described in additional detail in Note 6.
- (ii) Represents the elimination of \$11 million of previously capitalized debt issuance costs related to CSC’s \$3.1 billion senior unsecured bridge facility. For pro forma balance sheet purposes, it is assumed that

CSC will not draw against the \$3.1 billion senior unsecured bridge facility; accordingly, the previously capitalized fees have been reversed and reflected as a charge to retained earnings.

(F) Deferred income taxes, net was adjusted as follows:

	<u>Increase (Decrease)</u>
Transaction adjustments <sup>(i)</sup> . . . . .	\$ 96
Purchase price allocation adjustments <sup>(ii)</sup> . . . . .	80
Total pro forma adjustment to Deferred income taxes, net . . . . .	<u>\$176</u>

- (i) Represents increase in deferred tax assets related to Everett transaction adjustments of \$44 million as well as the \$52 million effect of accelerated vesting of CSC unvested stock based compensation awards.
- (ii) Represents increase in deferred tax assets related to the write down of historical deferred costs of Everett.

(G) Property and equipment, net was adjusted as follows:

	<u>Increase (Decrease)</u>
Preliminary step-up in fair value (i) . . . . .	\$ 506
Capital lease adjustment (ii) . . . . .	(1,196)
Transfers from HPE (iii) . . . . .	347
Total pro forma adjustment to Property and equipment, net . . . . .	<u>\$ (343)</u>

- (i) Represents the step up to fair value of land, land improvements and buildings acquired on the basis of preliminary valuations performed. All other acquired property and equipment is assumed to have a fair value equal to Everett's historical carrying value.
- (ii) Represents the estimated capital lease assets associated with leases that Everett expects to modify in order to deliver on their contractual commitment. See Note 6 for further discussion.
- (iii) Represents the transfer to Everett of a portion of HPE's global real estate portfolio and IT assets.

(H) Short-term debt and current maturities of long-term debt and long-term debt, net of current maturities, were adjusted as described in Note 5 and Note 6(d).

(I) Accrued payroll and related costs were adjusted as follows:

	<u>Increase (Decrease)</u>
Removal of historical pension balances <sup>(i)</sup> . . . . .	(21)
Insertion of new pension liability <sup>(i)</sup> . . . . .	188
Employee transfer <sup>(ii)</sup> . . . . .	116
Total pro forma adjustment to Accrued payroll and related costs . . . . .	<u>\$283</u>

- (i) Represents an adjustment to remove Everett's historical pension liabilities and transfer certain pension liabilities from HPE to Everett, as described in additional detail in Note 6.
- (ii) Represents an adjustment for accrued compensation and benefits related to HPE corporate and global function personnel being transferred to Everett in connection with the Transactions.

(J) This represents an adjustment that was recorded to decrease Everett's recorded value of deferred revenue to its estimated remaining future service obligations as part of the purchase price allocation based on the preliminary valuation. The final purchase price allocation will be based on a complete analysis subsequent to the consummation of the Merger and other Transactions and may result in a materially different allocation for deferred revenue than that presented in the pro forma balance sheet. However, this adjustment is not reflected in the pro forma statement of operations since it is directly related to the Merger and other Transactions but will not have a recurring effect.

(K) Pension obligations were adjusted as follows:

	<u>Increase (Decrease)</u>
Removal of historical pension balances <sup>(i)</sup> . . . . .	\$(1,791)
Insertion of new pension liability <sup>(i)</sup> . . . . .	2,075
Pension funding adjustment <sup>(ii)</sup> . . . . .	<u>(1,693)</u>
Total pro forma adjustment to Pension obligations . . . . .	<u><u>\$(1,409)</u></u>

- (i) Represents an adjustment to remove Everett's historical pension liabilities and transfer certain pension liabilities from HPE to Everett, as described in additional detail in Note 6.
- (ii) Pursuant to the Separation and Distribution Agreement, this adjustment reflects the adjustment to fund Everett's pension obligations such that the transferred net pension liability does not exceed \$570 million. No adjustment for expected return on assets has been assumed for pro forma statement of operations purposes as it is unknown at this time where the funding of the accrued defined benefit pension plans will occur, as described in additional detail in Note 6.

(L) Reflects an adjustment to deferred tax liabilities based on estimated global statutory tax rates of the combined company ranging from 25% to 35%, respectively, multiplied by the preliminary fair value adjustments to the identifiable intangible assets, fair value adjustments to property and equipment, and deferred revenue reduction, as described in additional detail in Note 4.

(M) Represents an adjustment for liabilities related to HPE corporate and global function personnel being transferred to Everett in connection with the Transactions.

(N) Stockholders' equity was adjusted as follows:

	<u>Additional Paid-In Capital</u>	<u>Net Parent Investment</u>	<u>Retained Earnings / (Accumulated Deficit)</u>	<u>Accumulated Other Comprehensive (Loss)</u>
Pension adjustments (i) . . . . .	\$ —	\$(2,057)	\$ —	\$1,560
Elimination of total Everett net parent investment and accumulated other comprehensive loss (ii) . . . . .	—	(273)	—	564
Consideration transferred (iii) . . . . .	7,943	—	—	—
Stock based compensation (iv) . . . . .	131	—	(79)	—
Pension funding (v) . . . . .	—	1,693	—	—
Transaction costs (vi) . . . . .	—	(54)	(56)	—
Everett assumed debt (vii) . . . . .	—	(3,055)	—	—
Other transaction adjustments (viii) . . . . .	—	(437)	—	—
Net deferred tax assets (ix) . . . . .	—	44	—	—
Capital lease adjustments (x) . . . . .	—	60	—	—
Transfers from HPE (xi) . . . . .	—	347	—	—
Total pro forma adjustment . . . . .	<u><u>\$8,074</u></u>	<u><u>\$(3,732)</u></u>	<u><u>\$(135)</u></u>	<u><u>\$2,124</u></u>

- (i) Represents the net adjustments to (1) transfer certain pension plan assets and liabilities from HPE to Everett associated with active, retired and other former employees of Everett and (2) conform the pension accounting policy of Everett to that of CSC, as described in additional detail in Note 2 and Note 6.
- (ii) Relates to the elimination of Everett net parent investment and accumulated other comprehensive loss.
- (iii) Relates to additional paid in capital recorded for the purchase price allocation purchase consideration calculated as described further in Note 4.
- (iv) CSC's stock based compensation awards contain a mandatory change in control provision (the "CSC CIC") that states that all unvested stock based compensation awards will accelerate vest upon a greater than 50% change in stock ownership of CSC. Accordingly, upon the closing of the Merger and

Transactions, all unvested CSC stock based compensation awards will automatically vest resulting in the immediate recognition of \$79 million, net of tax of \$52 million, of unrecognized stock based compensation expense. As the Merger has not yet been consummated, the stock based compensation expense to be recorded as a result of the CSC CIC may be materially different. This expense is not reflected in the unaudited pro forma condensed combined statement of operations since it is directly related to the Merger and the Transactions but will not have a recurring effect.

- (v) Pursuant to the Separation and Distribution Agreement, this adjustment reflects the adjustment to fund Everett's pension obligations such that the transferred net pension liability does not exceed \$570 million.
- (vi) Reflects transaction costs related to the Merger and other Transactions. For information on the composition of these costs, refer to Note 8. This amount has not been tax effected as the tax deductibility of these items has not been determined.
- (vii) Short-term debt and current maturities of long-term debt and Long-term debt, net of current maturities were adjusted as described in Note 5.
- (viii) Represents adjustment for liabilities related to transferred employees not historically associated with Everett, as well as balances included in the condensed combined balance sheet of Everett which will not be transferred under the Separation and Distribution Agreement. See Note 6 for further discussion.
- (ix) Reflects the deferred tax impact of the Everett pro forma adjustments included in the pro forma condensed combined balance sheet.
- (x) Pursuant to the Separation and Distribution Agreement, this adjustment reflects the net adjustment to modify Everett's existing capital lease arrangements with HPE Financial Services in line with the contractually agreed upon amount. See Note 6 for further discussion.
- (xi) Represents the transfer to Everett of a portion of HPE's global real estate portfolio and IT assets.

#### **Note 9: Pro Forma Statement of Operations Adjustments**

The pro forma statements of operations reflect the following adjustments (in millions):

- (A) Cost of services were adjusted as follows:

	<b>Increase (Decrease)</b>	
	<b>For the Three Months Ended July 1, 2016 (Pro Forma)</b>	<b>For the Twelve Months Ended April 1, 2016 (Pro Forma)</b>
Policy alignments (i) . . . . .	\$ (17)	\$ (1)
Capital lease adjustment (ii) . . . . .	<u>101</u>	<u>379</u>
Total adjustment to Costs of services . . . . .	<u>\$ 84</u>	<u>\$378</u>

- (i) Represents adjustment related to the transfer of certain pension assets and liabilities from HPE to Everett and to conform the pension accounting policy of Everett to that of CSC, as described in additional detail in Note 2 and Note 6.
- (ii) Pursuant to the Separation and Distribution Agreement, this adjustment reflects the re-characterization of a portion of the Everett historical depreciation and interest expense as rent expense within Cost of services resulting from the adjustment to modify Everett's existing capital lease arrangements with HPE Financial Services in line with the contractually agreed upon amount. See Note 6 for further information.

(B) Selling, general and administrative expenses were adjusted as follows:

	Increase (Decrease)	
	For the Three Months Ended July 1, 2016 (Pro Forma)	For the Twelve Months Ended April 1, 2016 (Pro Forma)
Remove transaction costs <sup>(i)</sup> . . . . .	\$(3)	\$ (10)
Policy adjustments <sup>(ii)</sup> . . . . .	(2)	—
Total adjustment to Selling, general and administrative expense . . . . .	<u>\$(5)</u>	<u>\$ (10)</u>

- (i) Transaction costs represent costs paid to advisers, attorney and other third parties directly related to the Merger. Accordingly, transaction costs have been eliminated as these costs are directly attributable to the Merger, but which are not expected to have a continuing impact on results of operations following the consummation of the Merger and other Transactions.
- (ii) Represents adjustments related to the transfer of certain pension assets and liabilities from HPE to Everett and to conform the pension accounting policy of Everett to that of CSC, as described in additional detail in Note 2 and Note 6.

(C) Depreciation and amortization were adjusted as follows:

	Increase (Decrease)	
	For the Three Months Ended July 1, 2016 (Pro Forma)	For the Twelve Months Ended April 1, 2016 (Pro Forma)
Change in amortization expense associated with acquired intangible assets <sup>(i)</sup> . . . . .	\$ —	\$ (5)
Change in depreciation expense associated with acquired property and equipment <sup>(ii)</sup> . . . . .	5	19
Change in depreciation expense associated with adjustment of capital leases to operating <sup>(iii)</sup> . . . . .	(88)	(329)
Total adjustment to Depreciation and amortization . . . . .	<u>\$(83)</u>	<u>\$(315)</u>

- (i) All amortization adjustments related to identifiable definite-lived intangible asset are recorded to Depreciation and amortization. Historical amortization expense recorded in the condensed combined statements of operations of Everett totaled \$99 million and \$399 million, respectively, for the three months ended July 31, 2016 and the twelve months ended April 30, 2016 and was eliminated and replaced with the estimated amortization expense for the identifiable definite-lived intangible assets of \$99 million and \$394 million for the three and twelve months ended April 30 and July 31, 2016, respectively. The estimated amortization expense was computed using the straight-line method and an estimated useful life of thirteen years for customer relationships and seven years for developed technology.

A change of 10% in the estimated fair value allocated to the customer relationship and related contracts intangible asset would result in a change in the three-month pro forma amortization expense of \$8 million and a change in the twelve month amortization expense of \$30 million. An increase in estimated useful life of the customer relationship and related contracts intangible asset of one year would result in a decrease in the three-month and twelve-month pro forma amortization expense of \$5 million and \$22 million, respectively, while a decrease in estimated useful life of one year would result in an increase in the three-month and twelve-month pro forma amortization expense of \$6 million and \$25 million, respectively.

- (ii) All depreciation adjustments related to acquired property and equipment are recorded to Depreciation and amortization. Historical depreciation expense recorded in the condensed combined statements of operations of Everett for the three months ended July 31, 2016 and the twelve months ended April 30,

2016, were increased by \$5 million and \$19 million for the three and twelve months, respectively. The estimated depreciation expense was computed using the straight-line method and estimated remaining useful life of 24 years for real property.

- (iii) Pursuant to the Separation and Distribution Agreement, this adjustment reflects the re-characterization of a portion of Everett's historical depreciation and interest expense as rent expense within Cost of services resulting from the adjustment to modify Everett's existing capital lease arrangements with HPE Financial Services in line with the contractually agreed upon amount. See Note 6 for further information.
- (D) Separation costs include costs arising from the separation of Everett from its parent, HPE. These costs primarily represent costs paid to third party providers and are eliminated as they are not expected to have a continuing impact on the results of operations following the consummation of the Merger.
- (E) Interest expense was adjusted as follows:

	Increase (Decrease)	
	For the Three Months Ended July 1, 2016 (Pro Forma)	For the Twelve Months Ended April 1, 2016 (Pro Forma)
Debt financing impact <sup>(i)</sup> . . . . .	\$ 27	\$105
Capital lease adjustment <sup>(ii)</sup> . . . . .	(13)	(50)
Total adjustment to Interest expense . . . . .	<u>\$ 14</u>	<u>\$ 55</u>

- (i) Represents the net adjustment to Interest expense, net, as a result of the new debt as further described in Note 5.
- (ii) Pursuant to the Separation and Distribution Agreement, this adjustment reflects the re-characterization of a portion of Everett's historical interest expense as rent expense within Cost of services from the adjustment to modify Everett's existing capital lease arrangements with HPE Financial Services in line with the contractually agreed upon amount. See Note 6 for further information.
- (F) Represents the income tax impact of the pro forma adjustments, using estimated global statutory tax rates of the combined company ranging from 25% to 35%, respectively.
- (G) The adjustment to the weighted average common shares outstanding for basic earnings per share is to reflect the 140,989,904 shares of Everett anticipated to be issued to HPE stockholders to establish 50.1% ownership of the combined company by HPE. The amount of shares to be issued by Everett was measured based on a 1:1 share exchange ratio for current outstanding CSC shares and the assumption that the 140,427,070 CSC shares outstanding would represent 49.9% of the total amount of shares issued of the combined company, based on CSC's outstanding common shares as of October 21, 2016. Total pro forma shares outstanding is assumed to be 281,416,974. Due to the pro forma condensed combined net loss for the three months ended July 1, 2016 and the twelve months ended April 1, 2016, dilutive common share-equivalents were excluded from diluted weighted average common shares outstanding as they would have been anti-dilutive. See Note 4 for further information.

## NON-GAAP MEASURES

### Non-GAAP Financial Measures

CSC (“we”, “our” or the “Company”) presents non-GAAP financial measures of performance which are derived from the condensed consolidated financial information of CSC and condensed combined financial information of Everett. These non-GAAP financial measures include consolidated segment adjusted operating income, adjusted earnings before interest, taxes, and depreciation and amortization (“Adjusted EBITDA”), non-GAAP income from continuing operations before taxes, non-GAAP net income from continuing operations and non-GAAP earnings per share (“EPS”) from continuing operations.

We present these non-GAAP financial measures to supplement financial information presented on a GAAP or pro forma basis. Non-GAAP financial measures exclude certain items from GAAP or pro forma results which CSC management (“management”) believes are not indicative of core operating performance. These non-GAAP financial measures allow management to better understand the consolidated financial performance of the Company exclusive of corporate wide strategic decisions and will be used to evaluate the combined company going forward. Management believes that adjusting for certain items not indicative of our core operating performance provides investors with additional measures to evaluate our operating financial performance on a more comparable basis. We believe the non-GAAP measures we provide are also considered important measures by financial analysts covering CSC and its peers.

There are limitations to the use of the non-GAAP financial measures presented in this report. One of the limitations is that they do not reflect complete financial results. We compensate for this limitation by providing a reconciliation between our non-GAAP financial measures and the respective most directly comparable financial measure calculated and presented in accordance with GAAP or on a pro forma basis. Additionally, other companies, including companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes.

The following is a summary of the items excluded from the most comparable GAAP or pro forma financial measures to calculate our non-GAAP financial measures:

- Certain overhead costs—Reflects costs related to (1) CSC’s separation of NPS which were historically allocated to NPS but not included in discontinued operations due to accounting rules and (2) certain HPE costs allocated to Everett. These costs are expected to be largely eliminated on a prospective basis.
- U.S. Pension and other post-retirement benefits (OPEB)—Reflects the impact of certain U.S. pension and OPEB plans historically included in CSC’s financial results that have been transferred to CSRA as part of the CSRA Separation.
- Separation, restructuring, and other transaction costs—Includes costs related to (1) Separation costs allocated to Everett arising from the separation of Everett’s Parent, HPE, from HP Inc., formerly Hewlett-Packard Company, (2) CSRA separation from CSC, (3) certain CSC and Everett restructuring charges related to workforce optimization and real estate charges, (4) Merger related costs incurred by CSC and Everett, and (5) acquisition and related intangible asset amortization expense recognized by CSC and Everett.
- Pension and OPEB actuarial and settlement gains (losses)—Due to mark-to-market accounting and settlements incurred by CSC and Everett.
- SEC settlement-related items—Reflects CSC costs associated with certain SEC charges and settlements.
- Debt extinguishment costs—Related to CSC’s early redemption of certain term notes.
- Impairment of data center assets—Related to Everett’s exit from several data centers.
- Stock based compensation—Represents the stock based compensation expense recognized by CSC and Everett.



- Provision for losses on accounts receivable—Represents the amount of uncollectible accounts receivable expense incurred by CSC and Everett.
- Foreign currency loss (gain)—Represents the gain/loss related to CSC’s hedging transactions and intercompany accounts.
- Aggregate adjustment for income taxes - The aggregate adjustment for income taxes is the estimated combined income tax effect for the adjustments mentioned above, adoption of a new accounting standard in fiscal 2016 changing excess tax benefits on stock-based compensation to be recorded as a reduction to income tax expense and the release of tax valuation allowances in certain jurisdictions. The tax effects of adjustments to CSC’s historical results are determined based on the tax jurisdictions where the above items were incurred, whereas the tax effects of adjustments to Everett’s historical results and of related pro forma adjustments are determined based on a global blended statutory rate.

The Separation and Distribution Agreement provides for cost structure protection of activities identified as “Horizontal Cost Activities”, which are further described on page 118 of this proxy statement/prospectus-information statement. The accompanying pro forma combined non-GAAP financial measures currently do not reflect any adjustment for a reduction in Horizontal Cost Activities from approximately \$1.6 billion to the agreed Distribution date target of \$1.2 billion. The reduction in horizontal cost activities is not included within the previously announced anticipated first-year synergies of approximately \$1.0 billion post-close, with a run rate of \$1.5 billion by the end of year one.

The following tables present certain non-GAAP financial measures on a historical and pro forma basis and do not reflect the realization of anticipated revenue and cost synergies relating to the Merger:

(in millions, except per share amounts)	<b>Historical Three Months Ended</b>		<b>Adjustments<sup>(3)</sup></b>	<b>Pro Forma Combined</b>
	<b>CSC for the Three Months Ended</b>	<b>Everett for the Three Months Ended</b>		
	<b>July 1, 2016<sup>(1)</sup></b>	<b>July 31, 2016</b>		
Consolidated segment adjusted operating income . . . . .	\$ 144	\$264	\$ 1	\$ 409
Adjusted EBITDA . . . . .	\$ 225	\$659	\$(81)	\$ 803
Non-GAAP income from continuing operations before taxes . . . . .	\$ 91	\$221	\$(13)	\$ 299
Non-GAAP diluted EPS from continuing operations . . . .	\$0.54			\$0.77

(in millions, except per share amounts)	<b>Historical Twelve Months Ended</b>		<b>Adjustments<sup>(3)</sup></b>	<b>Pro Forma Combined</b>
	<b>CSC for the Twelve Months Ended</b>	<b>Everett for the Twelve Months Ended</b>		
	<b>April 1, 2016<sup>(2)</sup></b>	<b>April 30, 2016</b>		
Consolidated segment adjusted operating income . . . . .	\$ 632	\$ 742	\$ 130	\$1,504
Adjusted EBITDA . . . . .	\$1,083	\$2,364	\$(174)	\$3,273
Non-GAAP income from continuing operations before taxes . . . . .	\$ 425	\$ 592	\$ 75	\$1,092
Non-GAAP diluted EPS from continuing operations . . .	\$ 2.56			\$ 2.85

- (1) CSC results only include results of the Xchanging acquisition from the May 5, 2016 acquisition date through July 1, 2016.
- (2) CSC results only include the post-acquisition results from the date of each acquisition through July 1, 2016 for the following acquisitions: (a) Xchanging (May 5, 2016), (b) UXC (March 1, 2016), (c) Fruition (September 21, 2015) and (d) Fixnetix (September 25, 2015).
- (3) See Unaudited Pro Forma Condensed Combined Financial Statements for the adjustments made to prepare the pro forma statement of operations.



## Reconciliation of Non-GAAP Measures

The tables below present a reconciliation of each non-GAAP financial measure to the most comparable GAAP or pro forma measure for each of the periods presented:

(in millions, except per share amounts)	Historical Three Months Ended		Adjustments <sup>(2)</sup>	Pro Forma Combined
	CSC July 1, 2016 <sup>(1)</sup>	Everett July 31, 2016		
Consolidated segment adjusted operating income . . . . .	\$ 144	\$ 264	\$ 1	\$ 409
Other income (expense), net . . . . .	(2)	(5)	—	(7)
Corporate G&A . . . . .	(36)	—	—	(36)
Interest expense . . . . .	(25)	(50)	(14)	(89)
Interest income . . . . .	10	12	—	22
Non-GAAP income (loss) from continuing operations				
before taxes . . . . .	91	221	(13)	299
Income tax benefit (expense) <sup>(3)</sup> . . . . .	(15)	(66)	4	(77)
Non-GAAP net income (loss) from continuing operations . . . . .	76	155	(9)	222
Certain overhead costs . . . . .	—	(51)	—	(51)
Separation, restructuring & other transaction costs . . . . .	(127)	(470)	73	(524)
Aggregate adjustment for income taxes . . . . .	31	176	(26)	181
Income (loss) from continuing operations . . . . .	(20)	(190)	38	(172)
Less: net income attributable to noncontrolling interest, net of tax . . . . .	1	1	—	2
Net income (loss) from continuing operations . . . . .	\$ (21)	\$ (191)	\$ 38	\$ (174)
Non-GAAP basic EPS from continuing operations . . . . .	\$ 0.54			\$ 0.78
Less: total adjustments to non-GAAP income from continuing operations . . . . .	(0.69)			(1.40)
Basic EPS from continuing operations . . . . .	\$ (0.15)			\$ (0.62)
Non-GAAP diluted EPS from continuing operations . . . . .	\$ 0.54			\$ 0.77
Less: total adjustments to non-GAAP income from continuing operations . . . . .	(0.69)			(1.39)
Diluted EPS from continuing operations . . . . .	\$ (0.15)			\$ (0.62)
Weighted average common shares:				
Basic . . . . .	138.98			281.42
Diluted . . . . .	138.98			286.30

- (1) CSC results only include results of the Xchanging acquisition from the May 5, 2016 acquisition date through July 1, 2016.
- (2) See Unaudited Pro Forma Condensed Combined Financial Statements for the adjustments made to prepare the pro forma statement of operations.
- (3) Income tax benefit (expense) for Everett and Adjustments within Non-GAAP income (loss) from continuing operations for the three months ended July 31, 2016 has been adjusted to reflect a normalized tax rate of 30%.

## Reconciliation of Non-GAAP Measures - continued

(in millions, except per share amounts)	Historical Twelve Months Ended			Pro Forma Combined
	CSC April 1, 2016 <sup>(1)</sup>	Everett April 30, 2016	Adjustments <sup>(2)</sup>	
Consolidated segment adjusted Operating income . . . . .	\$ 632	\$ 742	\$ 130	\$ 1,504
Other income (expense), net . . . . .	9	(2)	—	7
Corporate G&A . . . . .	(138)	—	—	(138)
Interest expense . . . . .	(116)	(184)	(55)	(355)
Interest income . . . . .	38	36	—	74
Non-GAAP income (loss) from continuing operations before taxes . . . . .	425	592	75	1,092
Income tax benefit (expense) <sup>(3)</sup> . . . . .	(62)	(178)	(22)	(262)
Non-GAAP net income (loss) from continuing operations . . . . .	363	414	53	830
Certain overhead costs . . . . .	(88)	(118)	—	(206)
U.S. Pension and OPEB . . . . .	38	—	—	38
Separation, restructuring & other transaction costs . . . . .	(161)	(1,285)	15	(1,431)
Pension & OPEB actuarial & settlement losses . . .	(99)	(233)	(198)	(530)
SEC settlement related items . . . . .	(5)	—	—	(5)
Debt extinguishment costs . . . . .	(100)	—	—	(100)
Impairment of data center assets . . . . .	—	(136)	—	(136)
Aggregate adjustment for income taxes . . . . .	124	(344)	49	(171)
Income (loss) from continuing operations . . . . .	72	(1,702)	(81)	(1,711)
Less: net income attributable to noncontrolling interest, net of tax . . . . .	1	5	—	6
Net income (loss) from continuing operations . . . . .	<u>\$ 71</u>	<u>\$(1,707)</u>	<u>\$ (81)</u>	<u>\$(1,717)</u>
Non-GAAP basic EPS from continuing operations . . . .	\$ 2.62			\$ 2.93
Less: total adjustments to non-GAAP income from continuing operations . . . . .	(2.11)			(9.03)
Basic EPS from continuing operations . . . . .	<u>\$ 0.51</u>			<u>\$ (6.10)</u>
Non-GAAP diluted EPS from continuing operations . . .	\$ 2.56			\$ 2.85
Less: total adjustments to non-GAAP income from continuing operations . . . . .	(2.06)			(8.95)
Diluted EPS from continuing operations . . . . .	<u>\$ 0.50</u>			<u>\$ (6.10)</u>
Weighted average common shares: . . . . .				
Basic . . . . .	138.28			281.42
Diluted . . . . .	141.33			289.35

- (1) CSC results only include the post-acquisition results from the date of each acquisition through July 1, 2016 for the following acquisitions: (a) Xchanging (May 5, 2016), (b) UXC (March 1, 2016), (c) Fruition (September 21, 2015) and (d) Fixnetix (September 25, 2015).
- (2) See Unaudited Pro Forma Condensed Combined Financial Statements for the adjustments made to prepare the pro forma statement of operations.
- (3) Income tax benefit (expense) for Everett and Adjustments within Non-GAAP income (loss) from continuing operations for the twelve months ended April 30, 2016 has been adjusted to reflect a normalized tax rate of 30%.

(in millions)	Historical Three Months Ended			Pro Forma Combined
	CSC July 1, 2016 <sup>(1)</sup>	Everett July 31, 2016	Adjustments <sup>(2)</sup>	
Net income (loss) from continuing operations . . . . .	\$ (21)	\$(191)	\$ 38	\$(174)
Less: net income attributable to noncontrolling interest, net of tax . . . . .	1	1	—	2
Income (loss) from continuing operations . . . . .	(20)	(190)	38	(172)
Interest expense, net . . . . .	15	38	14	67
Tax (benefit) expense on income . . . . .	(16)	(110)	22	(104)
Depreciation and amortization . . . . .	166	456	(83)	539
Certain overhead costs . . . . .	—	51	—	51
Provision for losses on accounts receivable . . . . .	2	2	—	4
Stock based compensation . . . . .	14	44	—	58
Restructuring costs . . . . .	57	276	—	333
Foreign currency loss . . . . .	2	—	—	2
Pension and postretirement benefit plans actuarial losses (gains), settlement losses, and amortization of other comprehensive income <sup>(3)</sup> . . . . .	5	—	(2)	3
Separation costs . . . . .	—	92	(70)	22
Adjusted EBITDA	<u>\$225</u>	<u>\$ 659</u>	<u>\$ (81)</u>	<u>803</u>

- (1) CSC results only include results of the Xchanging acquisition from the May 5, 2016 acquisition date through July 1, 2016.
- (2) See Unaudited Pro Forma Condensed Combined Financial Statements for the unaudited pro forma condensed combined statement of operations (the “pro forma statement of operations”), and the adjustments made to prepare the pro forma statement of operations.
- (3) Pension and postretirement benefit plans actuarial losses (gains), settlement losses, and amortization of other comprehensive income – Represents (1) Mark-to-market adjustments related to pensions and postretirement benefit plans resulting from revaluation of the CSC and Everett plan assets and liabilities; (2) lump-sum settlement charges incurred by CSC and Everett and (3) amortization of CSC’s and Everett’s prior service costs (credit).

(in millions)	Historical Twelve Months Ended			Pro Forma Combined
	CSC April 1, 2016 <sup>(1)</sup>	Everett April 30, 2016	Adjustments <sup>(2)</sup>	
Net income (loss) from continuing operations . . . . .	\$ 71	\$ (1,707)	\$ (81)	\$ (1,717)
Less: net income attributable to noncontrolling interest, net of tax . . . . .	1	5	—	6
Income (loss) from continuing operations . . . . .	72	(1,702)	(81)	(1,711)
Interest expense, net . . . . .	85	148	55	288
Tax (benefit) expense on income . . . . .	(62)	522	(27)	433
Depreciation and amortization . . . . .	658	1,789	(315)	2,132
Certain overhead costs . . . . .	88	118	—	206
U.S. Pension and OPEB . . . . .	(38)	—	—	(38)
Provision for losses on accounts receivable . . . . .	6	16	—	22
Stock based compensation . . . . .	46	228	—	274
Restructuring costs . . . . .	23	606	—	629
Foreign currency gain . . . . .	(1)	—	—	(1)

(in millions)	Historical Twelve Months Ended		Adjustments <sup>(2)</sup>	Pro Forma Combined
	CSC April 1, 2016 <sup>(1)</sup>	Everett April 30, 2016		
Pension and postretirement benefit plans actuarial losses (gains), settlement losses, and amortization of other comprehensive income <sup>(3)</sup> .....	92	233	194	519
Separation costs .....	19	270	—	289
Impairment of data center assets .....	—	136	—	136
Debt extinguishment costs .....	95	—	—	95
Adjusted EBITDA .....	<u>\$1,083</u>	<u>\$ 2,364</u>	<u>\$(174)</u>	<u>\$ 3,273</u>

- (1) CSC results only include the post-acquisition results from the date of each acquisition through July 1, 2016 for the following acquisitions: (a) Xchanging (May 5, 2016), (b) UXC (March 1, 2016), (c) Fruition (September 21, 2015) and (d) Fixnetix (September 25, 2015).
- (2) See Unaudited Pro Forma Condensed Combined Financial Statements for the unaudited pro forma condensed combined statement of operations (the “pro forma statement of operations”), and the adjustments made to prepare the pro forma statement of operations.
- (3) Pension and postretirement benefit plans actuarial losses (gains), settlement losses, and amortization of other comprehensive income – Represents (1) Mark-to-market adjustments related to pensions and postretirement benefit plans resulting from revaluation of the CSC and Everett plan assets and liabilities; (2) lump-sum settlement charges incurred by CSC and Everett and (3) amortization of CSC’s and Everett’s prior service costs (credit).

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND EXECUTIVE OFFICERS OF CSC

The following table provides information on Common Stock beneficially owned as of October 10, 2016, by:

- each person or group believed by CSC to own beneficially more than 5% of CSC’s outstanding common stock;
- each of the six named executive officers;
- each of the current CSC directors; and
- all executive officers and directors, as a group.

Unless otherwise indicated, each person or group has sole voting and investment power with respect to all shares beneficially owned.

<u>Name and Address of Beneficial Owner<sup>(1)</sup></u>	<u>Number of Shares Beneficially Owned</u>	<u>Percent of Class</u>
The Vanguard Group, Inc. .... 100 Vanguard Blvd. Malvern, Pennsylvania 19355	11,222,121 <sup>(2)</sup>	8.08% <sup>(2)</sup>
BlackRock, Inc. .... 55 East 52nd Street New York, NY 10022	10,337,514 <sup>(3)</sup>	7.40% <sup>(3)</sup>
Glenview Capital Management, LLC; Larry Robbins .... 767 Fifth Avenue, 44th Floor New York, NY 10153	7,382,451 <sup>(4)</sup>	5.26% <sup>(4)</sup>
J. Michael Lawrie .....	724,588 <sup>(5)</sup>	(6)
Paul Saleh .....	191,970 <sup>(5)</sup>	(6)
William L. Deckelman, Jr. ....	98,111 <sup>(5)</sup>	(6)
Stephen Hilton .....	59,326 <sup>(5)</sup>	(6)
James R. Smith .....	35,399 <sup>(5)</sup>	(6)
David Zolet .....	111,262 <sup>(5)</sup>	(6)
Mukesh Aghi .....	4,500	(6)
Herman E. Bulls .....	4,500	(6)
Bruce B. Churchill .....	8,787	(6)
Sachin Lawande .....	6,487	(6)
Brian MacDonald .....	14,387	(6)
Peter Rutland .....	5,600	(6)
Robert Woods .....	5,600	(6)
Lizabeth H. Zlatkus .....	0	(6)
All executive officers and directors as a group (15 persons) .....	1,270,517 <sup>(6),(7)</sup>	

- (1) Unless otherwise indicated, the address of each person or group is c/o Computer Sciences Corporation, 3170 Fairview Park Drive, Falls Church, Virginia 22042.
- (2) Based solely on information contained in Schedule 13G, Amendment No. 6, filed by The Vanguard Group (“Vanguard”) with the SEC on February 11, 2016. Vanguard has sole voting power over 99,463 shares, sole dispositive power over 11,130,758 shares, and shared dispositive power over 91,363 shares.
- (3) Based solely on information contained in Schedule 13G, Amendment No. 3, filed with the SEC on January 26, 2016 by BlackRock, Inc. (“BlackRock”). The Schedule 13G provides that (i) BlackRock is a parent holding company or control person and (ii) BlackRock, through its subsidiaries identified therein, has sole voting power over 9,608,762 shares and sole dispositive power over 10,337,514 shares.
- (4) Based solely on information contained in Schedule 13G, filed by Glenview Capital Management LLC (“Glenview Capital Management”) and Larry Robbins (“Mr. Robbins”) with the SEC on September 2, 2016. Glenview Capital Management and Mr. Robbins have shared voting and dispositive power over 7,382,451 shares.

- (5) With respect to Messrs. Lawrie, Saleh, Deckelman, Hilton, Smith, Zolet and all executive officers and directors of the Company as a group, includes 286,426; 105,378; 86,919; 49,274; 0; 55,944; and 583,941 shares of common stock, respectively, subject to employee options which were outstanding on October 10, 2016, and currently are exercisable or which are anticipated to become exercisable within 60 days thereafter. These shares have been deemed to be outstanding in computing the Percent of Class.
- (6) With respect to Messrs. Lawrie, Saleh, Deckelman, Hilton, Smith, Zolet and all executive officers and directors of the Company as a group, includes 57,433; 0; 0; 0; 0; 11,636; and 69,069 shares of unvested restricted stock units outstanding on October 10, 2016 which are anticipated to vest within 60 days thereafter. Holders of unvested restricted stock units have sole voting power, but no investment power, with respect thereto. With respect to Messrs. Lawrie, Saleh, Deckelman, Hilton, Smith, Zolet and all executive officers and directors of the Company, as a group, includes 0; 439; 4; 0; 0; 0; and 443 shares of common stock, respectively, which are held for the accounts of such persons under the Company's Matched Asset Plan and with respect to which such persons had the right, as of October 10, 2016, to give voting instructions to the Committee administering the Plan.
- (7) Less than 1%.

## DESCRIPTION OF CAPITAL STOCK OF CSC

The following description summarizes information concerning CSC's capital stock, including material provisions of CSC's Charter, CSC's Bylaws and certain provisions of Nevada law. You are encouraged to read CSC's Charter and Bylaws, which are incorporated by reference to this proxy statement/prospectus-information statement, for greater detail with respect to these provisions. For information on how to obtain a copy of CSC's Charter and Bylaws, see "Where You Can Find Additional Information."

### General

CSC's authorized capital stock consists of 750,000,000 shares of common stock, par value \$1.00 per share, and 1,000,000 shares of preferred stock, par value \$1.00 per share. CSC's board of directors may establish the rights and preferences of the preferred stock from time to time as set forth in CSC's Charter. CSC's Charter does not authorize any other classes of capital stock. As of \_\_\_\_\_, \_\_\_\_\_ shares of CSC common stock were issued and outstanding and held of record by approximately \_\_\_\_\_ holders; and no shares of CSC's preferred stock were issued or outstanding.

CSC has adopted and maintains equity incentive plans pursuant to which CSC is authorized to issue stock options, restricted stock and other stock-based incentives to employees and directors. As of \_\_\_\_\_, awards and other rights or options to acquire shares of CSC common stock were outstanding under these plans that represented rights or options to acquire approximately \_\_\_\_\_ shares of CSC common stock and CSC had reserved approximately \_\_\_\_\_ additional shares of CSC common stock for future issuances under these plans.

### Common Stock

Holders of CSC common stock are entitled to one vote per share on all matters to be voted upon by CSC stockholders. The vote of the holders of a majority of the stock represented at a meeting at which a quorum is present is generally required to take stockholder action, unless a different vote is required by law or specifically required by CSC's Charter or Bylaws.

Subject to the rights of any holders of CSC preferred stock, the holders of CSC common stock are entitled to receive ratably dividends, if any, as may be declared from time to time by CSC's board of directors out of funds legally available for the payment of dividends. However, if CSC's board of directors grants rights of cumulative dividends to any series of CSC preferred stock, CSC's Charter limits CSC's ability to take certain actions, including with respect to the payment of dividends on CSC common stock, if such accrued dividends are owed to the holders of any series of preferred stock. For example, no cash payments for distributions or dividends may be made to the holders of CSC common stock unless all accrued dividends for past and current dividend periods on all series of preferred stock entitled to cumulative dividends have been declared and set apart for payment. In addition, so long as accrued dividends with respect to any series of CSC preferred stock that is entitled to cumulative dividends remains unpaid for any period to and including the preceding dividend date, CSC may not purchase or redeem any shares of CSC capital stock.

In the event of the liquidation, dissolution or winding up of CSC, after all liabilities and the holders of each series of preferred stock have been paid in full, the holders of CSC common stock are entitled to share ratably in all remaining assets. CSC common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to CSC common stock. The rights, preferences and privileges of the holders of CSC common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that CSC may designate and issue in the future.

### Preferred Stock

CSC's board of directors may issue up to 1,000,000 shares of only one class of preferred stock in one or more series and, subject to the Nevada Corporation Law, CSC's board of directors may set the designations,

preferences and relative, participating, optional or other special rights or qualifications, limitations or restrictions of such preferred stock. Each share of preferred stock will be of equal rank with each other share of preferred stock, regardless of series, with respect to the payment of dividends and the distribution of capital assets.

CSC's board of directors has the power to issue CSC preferred stock with voting, conversion and exchange rights that could negatively affect the voting power or other rights of CSC common stockholders, and CSC's board of directors could take that action without stockholder approval. The issuance of CSC preferred stock could delay or prevent a change in control of CSC.

If CSC's board of directors grants voting power to the holders of shares of any series of preferred stock, holders of shares of such series will be entitled to no more than one vote per share voting with the holders of shares of CSC common stock at each annual or special meeting of stockholders upon all matters upon which a vote is taken except that if the holders of shares of such series will be entitled to elect two or more directors, as a class, the holders of shares of such series will not be entitled to a vote for the election of any other directors of CSC.

In addition, so long as accrued dividends with respect to any series of CSC preferred stock that is entitled to cumulative dividends remains unpaid for any period to and including the preceding dividend date, CSC may not purchase or redeem any shares of CSC capital stock.

#### **Anti-Takeover Effects of Various Provisions of Nevada Law and CSC's Charter and Bylaws**

Provisions of the Nevada Corporation Law and CSC's Charter and Bylaws could make it more difficult to acquire CSC by means of a tender offer, a proxy contest or otherwise, or to remove incumbent officers and directors. These provisions, summarized below, would be expected to discourage certain types of coercive takeover practices and takeover bids CSC's board of directors may consider inadequate and to encourage persons seeking to acquire control of CSC to first negotiate with CSC. CSC believes that the benefits of increased protection of CSC's ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure CSC will outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

**Blank Check Preferred Stock.** CSC's board of directors has the power to issue CSC preferred stock with voting, conversion and exchange rights that could negatively affect the voting power or other rights of CSC common stockholders, and CSC's board of directors could take that action without stockholder approval. The issuance of CSC preferred stock could delay or prevent a change in control of CSC.

**Board Vacancies to be Filled by Remaining Directors and Not Stockholders.** CSC's Bylaws provide that any vacancies, including any newly created directorships, on the board of directors, will be filled by the affirmative vote of the majority of the remaining directors then in office, even if such directors constitute less than a quorum, or by a sole remaining director.

**Removal of Directors by Stockholders.** CSC's Bylaws and Nevada Corporation Law provide that directors may be removed by stockholders only by the affirmative vote of the holders of at least two-thirds of the voting power of the outstanding capital stock entitled to vote.

**Stockholder Action.** CSC's Bylaws preclude stockholders from calling special meetings except where such special meetings are requested by stockholders representing 75% of the capital stock entitled to vote. CSC's Bylaws prevent stockholder action by written consent for the election of directors and require the written consent of 90% of the capital stock entitled to vote for any other stockholder actions by written consent.

**Advance Notice of Director Nominations and Stockholder Proposals.** CSC's Bylaws contain advance notice procedures for stockholders to make nominations of candidates for election as directors or to bring other



business before the annual meeting of stockholders. As specified in CSC's Bylaws, director nominations and the proposal of business to be considered by stockholders may be made only pursuant to a notice of meeting, at the direction of the board of directors or by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures that are provided in CSC's Bylaws.

To be timely, a nomination of a director by a stockholder or notice for business to be brought before an annual meeting by a stockholder must be delivered to CSC's secretary at CSC's principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of an annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, for notice by the stockholder to be timely, it must be delivered not earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of (1) the 90th day prior to such annual meeting and (2) the 10th day following the day on which public announcement of the date of such meeting is first made, whichever first occurs.

In the event a special meeting of stockholders is called for the purpose of electing one or more directors, any stockholder entitled to vote may nominate a person or persons as specified in CSC's Bylaws, but only if the stockholder notice is delivered to CSC's secretary at CSC's principal executive offices not earlier than the 90th day prior to such special meeting and not later than the close of business on the later of (1) the 60th day prior to such special meeting or (2) the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by CSC's board of directors to be elected at such meeting.

***Amendments to CSC's Charter and Bylaws.*** Under Nevada Corporation Law, CSC's Charter may not be amended by stockholder action alone. Amendments to the Charter require a board resolution approved by the majority of the outstanding capital stock entitled to vote. CSC's Bylaws may only be amended by stockholders upon the affirmative vote of 75% of the outstanding capital stock entitled to vote. Subject to the right of stockholders as described in the immediately preceding sentence, CSC's Bylaws may be adopted, amended or repealed by CSC's board of directors.

***Nevada Anti-Takeover Statute.*** CSC is subject to Nevada's Combination with Interested Stockholders Statute (Nevada Corporation Law Sections 78.411-78.444) which prohibits an "interested stockholder" from entering into a "combination" with the corporation, unless certain conditions are met. An "interested stockholder" is a person who, together with affiliates and associates, beneficially owns (or within the prior two years, did beneficially own) 10% or more of the corporation's capital stock entitled to vote.

No Cumulative Voting. CSC's Charter prohibits cumulative voting in the election of directors.

### **Limitations on Liability and Indemnification of Officers and Directors**

The Nevada Corporation Law limits or eliminates the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties as directors. CSC's Charter and Bylaws include provisions that require CSC to indemnify, to the fullest extent allowable under the Nevada Corporation Law, directors or officers against monetary damages for actions taken as a director or officer of CSC, or for serving at CSC's request as a director or officer or another position at another corporation or enterprise, as the case may be. CSC's Charter and Bylaws also provide that CSC must indemnify and advance reasonable expenses to CSC directors and officers, subject to CSC's receipt of an undertaking from the indemnified party as may be required under the Nevada Corporation Law. CSC is also expressly authorized to carry directors' and officers' insurance to protect CSC, CSC's directors, officers and certain employees for some liabilities.

The limitation of liability and indemnification provisions under Nevada Corporation Law and in CSC's Charter and Bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their

fiduciary duties. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit CSC and CSC's stockholders. However, these provisions do not limit or eliminate CSC's rights, or those of any stockholder, to seek non-monetary relief such as injunction or rescission in the event of a breach of a director's fiduciary duties. Moreover, the provisions do not alter the liability of directors under the federal securities laws. In addition, your investment may be adversely affected to the extent that, in a class action or direct suit, CSC pays the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

### **Authorized but Unissued Shares**

CSC's authorized but unissued shares of common stock and preferred stock are available for future issuance without your approval. CSC may use additional shares for a variety of purposes, including future public offerings to raise additional capital, to fund acquisitions and as employee compensation. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of CSC by means of a proxy contest, tender offer, merger or otherwise.

### **Stock Exchange Listing**

CSC common stock is listed on the NYSE under the ticker symbol "CSC."

### **Transfer Agent and Registrar**

Computershare is the transfer agent and registrar for CSC's common stock.

### **Direct Registration System**

CSC's common stock is registered in book-entry form through the direct registration system. Under this system, ownership of CSC common stock is reflected in account statements periodically distributed to stockholders by Computershare, CSC's transfer agent, who holds the book-entry shares on behalf of CSC's common stockholders.

## **DESCRIPTION OF EVERETT CAPITAL STOCK BEFORE AND AFTER THE MERGER**

The following summary describes the material terms of Everett's capital stock and provisions of the certificate of incorporation and the bylaws of Everett, but it does not purport to describe all of the terms thereof. Immediately prior to the effective time of the Merger, Everett will be redomesticated into a Nevada corporation and will adopt Articles of Incorporation and Bylaws that are substantially similar to CSC's Charter and Bylaws.

### **Capital Stock of Everett before the Merger**

The Everett certificate of incorporation authorizes 1,000 shares, par value \$0.01 per share of common stock and no shares of preferred stock. As of \_\_\_\_\_, there were 1,000 shares of Everett common stock issued and outstanding, all of which are held by HPE. Shares of Everett common stock are not publicly traded. Prior to the Distribution and the Merger, Everett will amend its certificate of incorporation and take all other actions necessary to authorize a number of shares of Everett common stock and to issue to HPE a number of shares of Everett common stock not to exceed 140,989,904, assuming no true-up adjustment pursuant to the Merger Agreement. On the Distribution Date, HPE will distribute all of the outstanding shares of Everett common stock pro rata to HPE's stockholders of record on the record date for the Distribution. Following completion of the Distribution, HPE stockholders will also be Everett stockholders, and HPE will cease to hold any shares of Everett common stock. As of the date of this proxy statement/prospectus-information statement, none of the directors and executive officers of HPE or Everett own any shares of Everett common stock, and all common stock of Everett is owned by HPE.

Each holder of Everett common stock is entitled to one vote per share on all matters for which such stockholder has voting power. Holders of Everett common stock are entitled to receive dividends and other distributions that may be declared by Everett's board of directors. In the event of Everett's liquidation, dissolution or winding up, holders of Everett common stock will be entitled to receive proportionately any assets remaining after the payment of Everett's liabilities.

### **Limitation of Liability of Directors; Indemnification of Directors before the Merger**

Everett's certificate of incorporation provides that no director will be personally liable to Everett or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that this limitation on or exemption from liability is not permitted by the DGCL and any amendments to that law.

The Everett certificate of incorporation does not eliminate its directors' duties of care and loyalty. The inclusion of this provision in the Everett certificate of incorporation may, however, discourage or deter stockholders or management from bringing a lawsuit against Everett directors for a breach of their fiduciary duties.

The bylaws of Everett provide that Everett is required to indemnify its directors and officers (and may indemnify an employee or agent of the corporation or any person who is or was serving at the request of Everett as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan) to the fullest extent permitted by applicable law.

### **Amendment of Bylaws before the Merger**

To the extent permissible under the DGCL and the certificate of incorporation of Everett, Everett's bylaws may be altered, amended or repealed by Everett's board of directors at any duly called meeting by majority vote of the directors present at such meeting, provided there is a quorum. A quorum requires a majority of the entire board of directors to be present. Everett's bylaws may also be altered, amended or repealed by majority vote of the stockholders present and entitled to vote at a duly called meeting or by the written consent of a majority of all stockholders.

## **Capital Stock of Everett after the Merger**

Immediately prior to the effective time of the Merger, Everett will be redomesticated into a Nevada corporation and the material terms of Everett's capital stock and the provisions of Everett's Articles of Incorporation and Bylaws will be substantially similar to the material terms of CSC's capital stock and the provisions of CSC's Charter and Bylaws. See "Description of Capital Stock of CSC."

### ***General***

Everett's authorized capital stock will consist of 750,000,000 shares of common stock, par value \$1.00 per share, and 1,000,000 shares of preferred stock, par value \$1.00 per share. Everett's board of directors may establish the rights and preferences of the preferred stock from time to time as set forth in the Everett Charter. The Everett Charter does not authorize any other classes of capital stock.

Everett intends to adopt and maintain equity incentive plans pursuant to which Everett will be authorized to issue stock options, restricted stock and other stock-based incentives to employees and directors.

### ***Common Stock***

Holders of Everett common stock will be entitled to one vote per share on all matters to be voted upon by Everett stockholders. The vote of the holders of a majority of the stock represented at a meeting at which a quorum is present is generally required to take stockholder action, unless a different vote is required by law or specifically required by the Everett Charter or the Everett Bylaws.

Subject to the rights of any holders of Everett preferred stock, the holders of Everett common stock will be entitled to receive ratably dividends, if any, as may be declared from time to time by Everett's board of directors out of funds legally available for the payment of dividends. However, if Everett's board of directors grants rights of cumulative dividends to any series of Everett preferred stock, the Everett Charter limits Everett's ability to take certain actions, including with respect to the payment of dividends on Everett common stock, if such accrued dividends are owed to the holders of any series of preferred stock. For example, no cash payments for distributions or dividends may be made to the holders of Everett common stock unless all accrued dividends for past and current dividend periods on all series of preferred stock entitled to cumulative dividends have been declared and set apart for payment. In addition, so long as accrued dividends with respect to any series of Everett preferred stock that is entitled to cumulative dividends remains unpaid for any period to and including the preceding dividend date, Everett may not purchase or redeem any shares of Everett capital stock.

In the event of the liquidation, dissolution or winding up of Everett, after all liabilities and the holders of each series of preferred stock have been paid in full, the holders of Everett common stock will be entitled to share ratably in all remaining assets. Everett common stock will have no preemptive or conversion rights or other subscription rights. No redemption or sinking fund provisions will be applicable to Everett common stock. The rights, preferences and privileges of the holders of Everett common stock will be subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that Everett may designate and issue in the future.

### ***Preferred Stock***

Everett's board of directors may issue up to 1,000,000 shares of only one class of preferred stock in one or more series and, subject to the Nevada Corporation Law, Everett's board of directors may set the designations, preferences and relative, participating, optional or other special rights or qualifications, limitations or restrictions of such preferred stock. Each share of preferred stock will be of equal rank with each other share of preferred stock, regardless of series, with respect to the payment of dividends and the distribution of capital assets.

Everett's board of directors will have the power to issue Everett preferred stock with voting, conversion and exchange rights that could negatively affect the voting power or other rights of Everett common stockholders, and Everett's board of directors could take that action without stockholder approval. The issuance of Everett preferred stock could delay or prevent a change in control of Everett.

If Everett's board of directors grants voting power to the holders of shares of any series of preferred stock, holders of shares of such series will be entitled to no more than one vote per share voting with the holders of shares of Everett common stock at each annual or special meeting of stockholders upon all matters upon which a vote is taken except that if the holders of shares of such series will be entitled to elect two or more directors, as a class, the holders of shares of such series will not be entitled to a vote for the election of any other directors of Everett.

In addition, so long as accrued dividends with respect to any series of Everett preferred stock that is entitled to cumulative dividends remains unpaid for any period to and including the preceding dividend date, CSC may not purchase or redeem any shares of Everett capital stock.

#### **Anti-Takeover Effects of Various Provisions of Nevada Law and the Everett Charter and the Everett Bylaws after the Merger**

Provisions of the Nevada Corporation Law and the Everett Charter and the Everett Bylaws could make it more difficult to acquire Everett by means of a tender offer, a proxy contest or otherwise, or to remove incumbent officers and directors. These provisions, summarized below, would be expected to discourage certain types of coercive takeover practices and takeover bids Everett's board of directors may consider inadequate and to encourage persons seeking to acquire control of Everett to first negotiate with Everett. Everett believes that the benefits of increased protection of Everett's ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure CSC will outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

**Blank Check Preferred Stock.** Everett's board of directors will have the power to issue Everett preferred stock with voting, conversion and exchange rights that could negatively affect the voting power or other rights of Everett common stockholders, and Everett's board of directors could take that action without stockholder approval. The issuance of Everett preferred stock could delay or prevent a change in control of Everett.

**Board Vacancies to be Filled by Remaining Directors and Not Stockholders.** The Everett Bylaws will provide that any vacancies, including any newly created directorships, on the board of directors, will be filled by the affirmative vote of the majority of the remaining directors then in office, even if such directors constitute less than a quorum, or by a sole remaining director.

**Removal of Directors by Stockholders.** The Everett Bylaws and Nevada Corporation Law provide that directors may be removed by stockholders only by the affirmative vote of the holders of at least two-thirds of the voting power of the outstanding capital stock entitled to vote.

**Stockholder Action.** The Everett Bylaws will preclude stockholders from calling special meetings except where such special meetings are requested by stockholders representing 75% of the capital stock entitled to vote. The Everett Bylaws will prevent stockholder action by written consent for the election of directors and require the written consent of 90% of the capital stock entitled to vote for any other stockholder actions by written consent.

**Advance Notice of Director Nominations and Stockholder Proposals.** The Everett Bylaws will contain advance notice procedures for stockholders to make nominations of candidates for election as directors or to bring other business before the annual meeting of stockholders. As specified in the Everett Bylaws, director

nominations and the proposal of business to be considered by stockholders may be made only pursuant to a notice of meeting, at the direction of the board of directors or by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures that are provided in the Everett Bylaws.

To be timely, a nomination of a director by a stockholder or notice for business to be brought before an annual meeting by a stockholder must be delivered to Everett's secretary at Everett's principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of an annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, for notice by the stockholder to be timely, it must be delivered not earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of (1) the 90th day prior to such annual meeting and (2) the 10th day following the day on which public announcement of the date of such meeting is first made, whichever first occurs.

In the event a special meeting of stockholders is called for the purpose of electing one or more directors, any stockholder entitled to vote may nominate a person or persons as specified in the Everett Bylaws, but only if the stockholder notice is delivered to Everett's secretary at Everett's principal executive offices not earlier than the 90th day prior to such special meeting and not later than the close of business on the later of (1) the 60th day prior to such special meeting or (2) the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by Everett's board of directors to be elected at such meeting.

***Amendments to the Everett Charter and Bylaws.*** Under Nevada Corporation Law, the Everett Charter may not be amended by stockholder action alone. Amendments to the Everett Charter require a board resolution approved by the majority of the outstanding capital stock entitled to vote. The Everett Bylaws may only be amended by stockholders upon the affirmative vote of 75% of the outstanding capital stock entitled to vote. Subject to the right of stockholders as described in the immediately preceding sentence, the Everett Bylaws may be adopted, amended or repealed by Everett's board of directors.

***Nevada Anti-Takeover Statute.*** Everett will be subject to Nevada's Combination with Interested Stockholders Statute (Nevada Corporation Law Sections 78.411-78.444) which prohibits an "interested stockholder" from entering into a "combination" with the corporation, unless certain conditions are met. An "interested stockholder" is a person who, together with affiliates and associates, beneficially owns (or within the prior two years, did beneficially own) 10% or more of the corporation's capital stock entitled to vote.

***No Cumulative Voting.*** The Everett Charter will prohibit cumulative voting in the election of directors.

### **Limitations on Liability and Indemnification of Officers and Directors after the Merger**

The Nevada Corporation Law limits or eliminates the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties as directors. The Everett Charter and the Everett Bylaws will include provisions that require Everett to indemnify, to the fullest extent allowable under the Nevada Corporation Law, directors or officers against monetary damages for actions taken as a director or officer of Everett, or for serving at Everett's request as a director or officer or another position at another corporation or enterprise, as the case may be. The Everett Charter and the Everett Bylaws will also provide that Everett must indemnify and advance reasonable expenses to Everett directors and officers, subject to Everett's receipt of an undertaking from the indemnified party as may be required under the Nevada Corporation Law. Everett will also be expressly authorized to carry directors' and officers' insurance to protect Everett, Everett's directors, officers and certain employees for some liabilities.

The limitation of liability and indemnification provisions under Nevada Corporation Law and in the Everett Charter and Bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duties. These provisions may also have the effect of reducing the likelihood of derivative litigation

against directors and officers, even though such an action, if successful, might otherwise benefit Everett and Everett's stockholders. However, these provisions do not limit or eliminate Everett's rights, or those of any stockholder, to seek non-monetary relief such as injunction or rescission in the event of a breach of a director's fiduciary duties. Moreover, the provisions do not alter the liability of directors under the federal securities laws. In addition, your investment may be adversely affected to the extent that, in a class action or direct suit, Everett pays the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.



## **COMPARISON OF THE RIGHTS OF STOCKHOLDERS BEFORE AND AFTER THE TRANSACTIONS**

HPE and Everett are Delaware corporations subject to the provisions of the DGCL. CSC is a Nevada corporation subject to the Nevada Corporation Law. The rights of holders of HPE common stock are governed by HPE's Amended and Restated Certificate of Incorporation (the "HPE Charter"), HPE's Amended and Restated Bylaws (the "HPE Bylaws") and the DGCL. The rights of holders of CSC common stock are governed by CSC's Charter, CSC's Bylaws and the Nevada Corporation Law. Immediately prior to the effective time of the Merger, Everett will be redomesticated into a Nevada corporation and will adopt Articles of Incorporation and Bylaws that are substantially similar to CSC's Charter and Bylaws. Following the Merger, the rights of holders of Everett common stock will be governed by Everett's Articles of Incorporation (the "Everett Charter"), Everett's Bylaws (the "Everett Bylaws") and the Nevada Corporation Law.

Following the Merger, holders of HPE common stock will continue to own shares of HPE common stock that such holders owned prior to the Merger, subject to the same rights as prior to the Separation, the Distribution and the Merger, except that their shares of HPE common stock will represent an interest in HPE that no longer reflects the ownership and operation of the Everett business. In addition, HPE stockholders entitled to shares of Everett common stock in the Distribution (the "HPE Dividend Holders") will also own shares of common stock of Everett after the Merger. Following the Merger, holders of CSC common stock will hold the shares of Everett common stock into which their shares of CSC common stock were converted in connection with the Merger, which shares will represent a continuing interest in CSC as well as an interest in the Everett business.

The following description summarizes the material differences between the rights associated with HPE common stock and Everett common stock that may affect HPE stockholders who receive shares of Everett common stock in connection with the Separation, the Distribution and the Merger. Because the Everett Charter and Everett Bylaws will be substantially similar to CSC's Charter and CSC's Bylaws and Everett will be subject to the Nevada Corporation Law, there are no material differences between the rights associated with CSC common stock and Everett common stock that may affect CSC stockholders who receive shares of Everett common stock in connection with the Merger. Although Everett, CSC and HPE believe that this summary covers the material differences between the rights of the groups of stockholders, this summary may not contain all of the information that is important to you and does not purport to be a complete discussion of stockholders' rights. The identification of specific differences is not intended to indicate that other equally or more significant differences do not exist.

The following description is qualified in its entirety by, and CSC and HPE stockholders should read carefully, the relevant provisions of, the DGCL, the Nevada Corporation Law, CSC's Charter, CSC's Bylaws, the HPE Charter and the HPE Bylaws. CSC's Charter has been filed with the SEC as Exhibit 3.1 to CSC's Quarterly Report on Form 10-Q filed August 11, 2010, and CSC's Bylaws have been filed with the SEC as Exhibit 3.2 to CSC's Quarterly Report on Form 10-Q filed on August 9, 2016. See also "Description of Capital Stock of CSC." The HPE Charter has been filed with the SEC as Exhibit 3.1 to HPE's Current Report on Form 8-K filed on November 5, 2015 and the HPE Bylaws have been filed with the SEC as Exhibit 3.2 to HPE's Current Report Form 8-K filed on November 5, 2015. The Everett Charter and Everett Bylaws effective following the Merger are being filed with the SEC as Exhibits 99.5 and 99.6, respectively, to the registration statement of which this proxy statement/prospectus-information statement forms a part.



## Capitalization

The following table sets forth the authorized and issued stock of CSC and HPE as of \_\_\_\_\_ :

<u>Class of Security</u>	<u>Authorized</u>	<u>Outstanding</u>
<b>CSC</b>		
Common Stock, par value \$1.00 .....	750,000,000	
Preferred Stock, par value \$1.00 .....	1,000,000	0
<b>HPE</b>		
Common Stock, par value \$0.01 .....	9,600,000,000	
Preferred Stock, par value \$0.01 .....	300,000,000	0
<b>Everett</b>		
Common Stock, par value \$0.01 .....	1,000	

## Comparison of Rights of Stockholders

<u>Stockholder Right</u>	<u>HPE</u>	<u>Everett</u>
Amendment of the Bylaws	Under the HPE Charter and the HPE Bylaws, the HPE Board of Directors is expressly empowered to adopt, amend or repeal the HPE Bylaws. HPE stockholders also may amend, adopt or repeal the HPE Bylaws.	The Everett Bylaws will provide that the Everett Bylaws may be amended by the affirmative vote of no less than 75% of the outstanding voting shares of Everett. Subject to the rights of Everett stockholders, The Everett Charter will expressly authorize the board of directors to amend its bylaws.
Preferred Stock	The HPE Charter permits the HPE Board of Directors to issue shares of preferred stock in any series and to establish the designation, powers, preferences and relative participating, optional or other rights, if any, of the shares of each such series and the qualifications, limitations or restrictions of each such series, subject to any limits prescribed by the DGCL.	The Everett Charter will require that preferred stock must be all of one class but may be issued from time to time in one or more series, each of such series to have such full or limited voting powers, if any, and such designations, preferences and relative, participating, optional or other special rights or qualifications, limitations or restrictions as provided in a resolution adopted by the board of directors of Everett. Each share of Preferred Stock will rank on a parity with each other share of Preferred Stock, regardless of series, with respect to the payment of dividends at the respectively designated rates and with respect to the distribution of capital assets according to the amounts to which the shares of the respective series are entitled.

Number and Classification of the Board of Directors

The HPE Charter provides that the number of directors of HPE must be no less than eight and no more than 17. There are currently 14 directors. The HPE Bylaws provide that the number of directors will be fixed from time to time exclusively pursuant to a resolution adopted by a majority of the total number of directors which HPE would have if there were not vacancies. HPE does not have a classified board and, as a result, all directors are elected annually

The Everett Charter will provide that there must not be less than three nor more than 15 directors.

The Everett Board of Directors will not be classified. All directors will be elected annually.

Removal of Directors

The HPE Bylaws provide that any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

The Everett Bylaws will provide the directors of Everett may be removed from office by the vote of stockholders representing not less than two-thirds of the voting power of the issued and outstanding stock entitled to voting power.

Vacancies on the Board of Directors

The HPE Bylaws provide that a vacancy created by the removal of a director by the vote of the stockholders or by court order may be filled only by the affirmative vote of a majority of the voting power of shares represented and voting at a duly held meeting at which a quorum is present. Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority vote of the directors then in office, although less than a quorum, or by a sole remaining director. Whenever the holders of any class or classes of stock or series of stock are entitled to elect one or more directors pursuant to the terms of the HPE Charter, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected

The Everett Bylaws will provide vacancies in the Board of Directors may be filled by a majority of the remaining directors, even if there is less than a quorum.

by such class or classes or series then in office, or by a sole remaining director.

#### Special Meeting

The HPE Bylaws provide that a special meeting of the stockholders may be called by the board of directors, or by any of the following persons with the concurrence of a majority of the board: (i) the chairman of the board of directors, (ii) the chief executive officer or the secretary of HPE.

The HPE Bylaws also provide that a special meeting of stockholders may be called by the board of directors upon written request to the secretary of one or more record holders who are acting on behalf of beneficial owners who have a “net long position” (as defined in the HPE Bylaws) of shares of stock of HPE representing in the aggregate not less than 25% of the total number of shares of stock entitled to vote on the matter or matters to be brought before the proposed special meeting.

The Everett Bylaws will provide that special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute, by the Everett Charter or the Everett Bylaws, may be called by the chairman of the board, the board of directors or the chief executive officer, and shall be called by the chief executive officer or secretary at the request in writing of stockholders of record owning not less than seventy-five percent (75%) of the entire capital stock of Everett issued and outstanding and entitled to vote.

In the event Everett fails to hold its annual meeting of stockholders for a period of 18 months from the last preceding annual meeting at which directors were elected or if such annual meeting has been held but directors were not elected at such annual meeting, a special meeting of the stockholders must be called by the chief executive officer or secretary at the request in writing of a majority of the board of directors or at the request in writing of stockholders of record owning a majority in amount of the entire capital stock of Everett issued and outstanding and entitled to vote.

#### Action by Written Consent

The HPE Charter provides that any action permitted to be taken by an HPE stockholder must be effected at a duly called annual or special meeting of the stockholders and may not be effected by written consent of the stockholders, subject to the rights of the holders of the shares of any series of preferred stock or any other class of stock or series of stock having a preference over the common stock of HPE as to dividends or upon liquidation.

The Everett Bylaws will permit action by written consent of the stockholders for any matter that could be undertaken at a meeting, except for the election of directors, if authorized by written consent of stockholders holding 90% of the voting power.

Dividends	Under the DGCL, the HPE Board of Directors may declare a dividend. The HPE Bylaws provide that the board of directors may fix a record date on which only stockholders of record on the fixed date will be entitled to receive the dividend.	The Everett Charter will authorize the board of directors to issue dividends, set dividend rates and set dividend payments dates. Everett may pay dividends on its common stock quarterly. Everett expects to continue paying quarterly cash dividends although such payments are subject to continued approval by the board of directors.
State Antitakeover Statute	HPE has not opted out of Section 203 of the DGCL, which regulates corporate takeovers. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination, such as a merger, with a person or group owning 15% or more of the corporation's voting stock for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner.	Everett will be subject to Nevada's Combination with Interested Stockholders Statute (Nevada Law Sections 78.411—78.444) which prohibits an "interested stockholder" from entering into a "combination" with the corporation, unless certain conditions are met. An "interested stockholder" is a person who, together with affiliates and associates, beneficially owns (or within the prior two years, did beneficially own) 10% or more of the corporation's capital stock entitled to vote.
Stockholder Rights Plan	HPE does not currently have a stockholder rights plan in place. HPE's Bylaws provide that HPE will seek stockholder approval prior to its adoption of a stockholder rights plan unless the board of directors determines that it is in the best interests of the stockholders of HPE to adopt or extend a stockholder rights plan without delay. If a stockholder rights plan is adopted or extended by the board of directors without prior stockholder approval, such plan must provide that it will expire unless ratified by the stockholders of HPE within one year of adoption.	Everett does not currently have a stockholder rights plan.

#### Limitation on Liability

The HPE Charter provides that to the fullest extent permitted by Delaware law, the directors of HPE will not be personally liable to HPE or its stockholders for monetary damages for breach of fiduciary duty as a director.

The Everett Charter will provide that a director or officer of Everett will have no personal liability to the Everett or its stockholders for damages for breach of fiduciary duty as a director or officer, to the fullest extent permitted by Nevada law. The Everett Charter and the Everett Bylaws will provide that directors and officers will be indemnified by Everett in respect of any suit or other proceeding to the fullest extent permitted by law.

**CERTAIN ANTI-TAKEOVER EFFECTS OF VARIOUS PROVISIONS OF NEVADA LAW AND CSC'S  
AMENDED AND RESTATED ARTICLES OF INCORPORATION AND AMENDED AND RESTATED  
BYLAWS**

Provisions of the Nevada Corporation Law and CSC's Amended and Restated Articles of Incorporation and Amended and Restated Bylaws could make it more difficult to acquire CSC by means of a tender offer, a proxy contest or otherwise, or to remove incumbent directors. For a description of these provisions, see "Description of Capital Stock of CSC—Anti-Takeover Effects of Various Provisions of Nevada Law and CSC's Charter and Bylaws."

## **CERTAIN ANTI-TAKEOVER EFFECTS OF VARIOUS PROVISIONS OF NEVADA LAW AND EVERETT’S ARTICLES OF INCORPORATION AND BYLAWS AFTER THE MERGER**

Immediately prior to the effective time of the Merger, Everett will be redomesticated into a Nevada corporation and will adopt Articles of Incorporation and Bylaws that are substantially similar to CSC’s Charter and Bylaws. Provisions of the Nevada Corporation Law and the Everett Charter and the Everett Bylaws could make it more difficult to acquire Everett by means of a tender offer, a proxy contest or otherwise, or to remove incumbent directors. For a description of these provisions, see “Description of Everett Capital Stock Before and After the Merger—Anti-Takeover Effects of Various Provisions of Nevada Law and the Everett Charter and the Everett Bylaws after the Merger.”

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Ancillary Agreements

CSC, HPE and Everett or their respective subsidiaries, in each case as applicable, have entered into or, before the consummation of the Transactions, will enter into, ancillary agreements relating to the Transactions and various interim and ongoing relationships between CSC, HPE and Everett. See “Additional Agreements Related to the Separation, the Distribution and the Merger.”

### Related Party Transactions

#### *Policy and Procedures Governing Related Party Transactions*

Everett plans to adopt a written policy requiring the approval of the Nominating/Corporate Governance Committee of all transactions in excess of \$120,000 between the Everett and any related person (“Interested Transactions”). For the purposes of this policy, a related person is any person who was in any of the following categories at any time during Fiscal 2016:

- a director or executive officer of Everett;
- any nominee for director;
- any immediate family member of a director or executive officer, or of any nominee for director. Immediate family members are any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of such director, executive officer or nominee for director, and any person (other than a tenant or employee) sharing the household of such director, executive officer or nominee for director; and
- any person who was in any of the following categories when a transaction in which such person had a direct or indirect material interest occurred or existed:
  - any beneficial owner of more than 5% of Everett’s common stock;
  - any immediate family member, as defined above, of any such beneficial owner.

An Interested Transaction includes any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships.

In determining whether to approve an Interested Transaction, the Nominating/Corporate Governance Committee will take into account, among other factors it deems appropriate, whether the Interested Transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related party’s interest in the transaction. No director will participate in any discussion or approval of an Interested Transaction for which he or she (or an immediate family member) is a related party, except that the director will provide all material information concerning the Interested Transaction to the Nominating/Corporate Governance Committee.



## **LEGAL MATTERS**

Gibson, Dunn & Crutcher LLP, New York, New York will provide to Everett a legal opinion regarding the validity of the issuance of Everett common stock pursuant to the Merger Agreement.

Certain U.S. federal income tax consequences relating to the Merger may be passed upon for CSC by Skadden, Arps, Slate, Meagher & Flom LLP.

Certain U.S. federal income tax consequences relating to the Distribution and the Merger may be passed upon for HPE by Skadden, Arps, Slate, Meagher & Flom LLP.

## **EXPERTS**

The consolidated financial statements and the related financial statements schedule of Computer Sciences Corporation, incorporated in this proxy statement/prospectus-information statement by reference from Computer Sciences Corporation's Annual Report on Form 10-K for the fiscal year ended April 1, 2016, and the effectiveness of Computer Sciences Corporation's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference (which reports (1) express an unqualified opinion on the financial statements and financial statement schedule, and (2) express an adverse opinion on the effectiveness of internal control over financial reporting because of a material weakness). Such financial statements and financial statement schedule have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The combined financial statements of the Enterprise Services Business of Hewlett Packard Enterprise Company (Everett SpinCo, Inc.) at October 31, 2015 and 2014, and for each of the three years in the period ended October 31, 2015, appearing in this proxy statement/prospectus-information statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

## **SUBMISSION OF FUTURE STOCKHOLDER PROPOSALS**

CSC stockholders are entitled to present proposals for consideration at forthcoming stockholder meetings provided that they comply with the proxy rules promulgated by the SEC and CSC's Bylaws. For a stockholder proposal to be considered for inclusion in CSC's proxy statement for the 2017 Annual Meeting of Stockholders, the written proposal must be received by CSC's Corporate Secretary at CSC's principal executive offices not later than February 24, 2017. If the date of the 2017 annual meeting is moved more than 30 days before or after the anniversary date of this year's annual meeting, then the deadline for inclusion of a stockholder proposal in CSC's proxy statement is instead a reasonable time before CSC begins to print and mail its proxy materials. The proposal must comply with the requirements of SEC Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials.

Stockholders seeking to nominate directors at the 2017 Annual Meeting or who wish to bring a proposal before the meeting that is not intended to be included in CSC's proxy statement for the 2017 Annual Meeting must comply with the advance notice deadlines contained in CSC's Bylaws. The Bylaws provide that any such notice must be given not later than the close of business on the 90th day and not earlier than the close of business on the 120th day prior to the anniversary date of the preceding year's annual meeting. In addition, the Bylaws specify that in the event that the date of the upcoming annual meeting is more than 30 days before or more than 60 days after the anniversary date of the previous year's annual meeting, notice by the stockholder to be timely must be received not earlier than the close of business on the 120th day prior to the upcoming annual meeting and not later than the close of business on the later of (x) the 90th day prior to the upcoming annual meeting and (y) the 10th day following the date on which public announcement of the date of such upcoming meeting is first made. The term "public announcement" means disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service, in a document publicly filed by CSC with the SEC, or in a notice pursuant to the applicable rules of an exchange on which the securities of CSC are listed. For the 2017 Annual Meeting of Stockholders, a stockholder's notice, to be timely, must be delivered to, or mailed and received at CSC's principal executive offices: (a) not earlier than the close of business on April 12, 2017; and (b) not later than the close of business on May 12, 2017. Nominations or proposals not meeting these requirements will not be entertained at the annual meeting.

## **PROPOSAL 1**

### **Proposal to the Plan of Merger Contemplated by the Merger Agreement**

Under Section 92A.120(1) of the Nevada Corporation Law, after adopting a plan of merger, the board of directors of a Nevada corporation that is a constituent entity in the merger must submit the plan of merger, except as otherwise provided in the Nevada Corporation Law, for approval by its stockholders who are entitled to vote on the plan in accordance with the provisions of Section 92A.120 of the Nevada Corporation Law. Under Section 92A.120(5) of the Nevada Corporations Law, the plan of merger must be approved by a majority of the voting power of the stockholders of such Nevada corporation. As discussed elsewhere in this proxy statement/prospectus-information statement, CSC is a constituent entity in the Merger, and for this reason CSC must obtain the approval of its stockholders for the plan of merger contemplated by the Merger Agreement. The Merger is conditioned on the approval of this Proposal, and therefore consummation of the Transactions requires approval of this Proposal.

The approval by CSC stockholders of Proposal 1 requires the affirmative vote of the holders of a majority of the shares of CSC common stock entitled to vote thereon.

**THE CSC BOARD OF DIRECTORS HAS UNANIMOUSLY ADOPTED THE MERGER AGREEMENT AND UNANIMOUSLY RECOMMENDS THAT CSC STOCKHOLDERS VOTE FOR PROPOSAL 1.**

## **PROPOSAL 2**

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and SEC rules, CSC is providing its stockholders with the opportunity to vote to approve, on a nonbinding, advisory basis, the compensation of our named executive officers that is based on or otherwise relates to the Merger as disclosed in this proxy statement/prospectus-information statement in the section entitled “The Transactions—Interests of Certain Persons in the Merger” and in particular in the table entitled “Potential Transaction—Related Payments to Executive Officers” on page 87.

This advisory stockholder vote gives CSC stockholders the opportunity to advise whether or not they approve of the compensation of CSC’s named executive officers that is based on or otherwise relates to the Merger by voting on the following resolution:

“RESOLVED, that the compensation that may be paid or become payable to CSC’s named executive officers in connection with the Merger and the agreements or understandings pursuant to which such compensation may be paid or become payable, in each case as disclosed pursuant to Item 402(t) of Regulation S-K in “The Transactions—Interests of Certain Persons in the Merger,” is hereby APPROVED.”

The approval of the Merger-related compensation proposal requires the affirmative vote of a majority of the holders of the shares of CSC common stock present in person or represented by proxy at a special meeting at which a quorum is present and entitled to vote thereon. This advisory vote on the Merger-related compensation of CSC’s named executive officers is non-binding on the CSC Board of Directors.

**THE CSC BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT CSC STOCKHOLDERS VOTE FOR PROPOSAL 2.**

### **PROPOSAL 3**

#### **Proposal to Adjourn or Postpone the Special Meeting, if Necessary or Appropriate, to Solicit Additional Proxies if There are Not Sufficient Votes at the Time of the Special Meeting to Approve Proposal 1**

At the special meeting, CSC stockholders may be asked to vote to adjourn or postpone the special meeting to solicit additional proxies in the event there are not sufficient votes at the time of the special meeting to approve Proposal 1. The approval of Proposal 1 is required for completion of the Merger. Because the CSC Board of Directors believes that it is in the best interest of CSC and CSC stockholders to engage in the Transactions, the CSC Board of Directors believes it is in the best interest of CSC and CSC stockholders to adjourn the special meeting if there are not sufficient votes at the time of the special meeting to approve Proposal 1. Approval of a motion to adjourn the special meeting requires the affirmative vote of the holders of a majority of the shares of CSC common stock that are present in person or by proxy, regardless of whether a quorum is present.

**THE CSC BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT CSC STOCKHOLDERS VOTE FOR PROPOSAL 3.**

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### **Everett SpinCo, Inc.**

#### **The Enterprise Services Business of Hewlett Packard Enterprise Company**

##### **Combined Financial Statements**

**As of October 31, 2015 and 2014 and for the fiscal years ended October 31, 2015, 2014 and 2013**

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### **Everett SpinCo, Inc.**

#### **The Enterprise Services Business of Hewlett Packard Enterprise Company**

##### **Condensed Combined Financial Statements**

**As of July 31, 2016 and October 31, 2015 and for the nine months ended July 31, 2016 and 2015**

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

### **To the Board of Directors and Stockholders of Hewlett Packard Enterprise Company**

We have audited the accompanying combined balance sheets of the Enterprise Services Business of Hewlett Packard Enterprise Company (“Everett SpinCo, Inc.” or the “Company”) as of October 31, 2015 and 2014, and the related combined statements of operations, comprehensive loss, cash flows, and equity for each of the three years in the period ended October 31, 2015. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Enterprise Services Business of Hewlett Packard Enterprise Company at October 31, 2015 and 2014, and the combined results of its operations and its cash flows for each of the three years in the period ended October 31, 2015, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

San Jose, California  
October 31, 2016

**EVERETT SPINCO, INC.**  
**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**  
**Combined Statements of Operations**

	<b>For the fiscal years ended October 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
		<b>In millions</b>	
Net revenue . . . . .	\$19,032	\$21,862	\$23,676
Costs and expenses:			
Cost of revenue . . . . .	16,844	19,463	21,340
Selling, general and administrative . . . . .	1,807	2,251	2,137
Amortization of intangible assets . . . . .	399	398	551
Restructuring charges . . . . .	722	1,048	618
Separation costs . . . . .	258	—	—
Defined benefit plan settlement charges . . . . .	233	—	—
Impairment of data center assets . . . . .	136	—	—
Total costs and expenses . . . . .	<u>20,399</u>	<u>23,160</u>	<u>24,646</u>
Loss from operations . . . . .	(1,367)	(1,298)	(970)
Interest and other, net . . . . .	<u>(179)</u>	<u>(228)</u>	<u>(249)</u>
Loss before taxes . . . . .	(1,546)	(1,526)	(1,219)
(Provision) benefit for taxes . . . . .	<u>(339)</u>	<u>118</u>	<u>(433)</u>
Net loss . . . . .	<u><u>\$ (1,885)</u></u>	<u><u>\$ (1,408)</u></u>	<u><u>\$ (1,652)</u></u>

The accompanying notes are an integral part of these Combined Financial Statements.



**EVERETT SPINCO, INC.**

**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**

**Combined Statements of Comprehensive Loss**

	For the fiscal years ended October 31		
	2015	2014	2013
		In millions	
Net loss .....	<u>\$(1,885)</u>	<u>\$(1,408)</u>	<u>\$(1,652)</u>
Other comprehensive income (loss) before taxes:			
Change in net unrealized gains on available-for-sale securities:			
Net unrealized gains arising during the period .....	<u>4</u>	<u>3</u>	<u>3</u>
	<u>4</u>	<u>3</u>	<u>3</u>
Change in net unrealized (losses) gains on cash flow hedges:			
Net unrealized gains (losses) arising during the period .....	108	73	(15)
Net (gains) losses reclassified into earnings .....	<u>(119)</u>	<u>29</u>	<u>—</u>
	<u>(11)</u>	<u>102</u>	<u>(15)</u>
Change in unrealized components of defined benefit plans:			
(Losses) gains arising during the period .....	(111)	(782)	105
Amortization of actuarial loss and prior service benefit .....	135	79	83
Curtailments, settlements and other .....	1	18	7
Plans transferred to Parent during the period .....	97	—	—
Merged into Parent's Shared plans during the period .....	<u>—</u>	<u>61</u>	<u>142</u>
	<u>122</u>	<u>(624)</u>	<u>337</u>
Change in cumulative translation adjustment .....	<u>16</u>	<u>(1)</u>	<u>—</u>
Other comprehensive income (loss) before taxes .....	131	(520)	325
(Provision) benefit for taxes .....	<u>(4)</u>	<u>34</u>	<u>(93)</u>
Other comprehensive income (loss), net of taxes .....	<u>127</u>	<u>(486)</u>	<u>232</u>
Comprehensive loss .....	<u>\$(1,758)</u>	<u>\$(1,894)</u>	<u>\$(1,420)</u>

The accompanying notes are an integral part of these Combined Financial Statements.

**EVERETT SPINCO, INC.**  
**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**  
**Combined Balance Sheets**

	As of October 31	
	2015	2014
	In millions	
ASSETS		
Current assets:		
Cash and cash equivalents . . . . .	\$ 217	\$ 174
Accounts receivable . . . . .	3,396	3,750
Financing receivables . . . . .	151	116
Other current assets . . . . .	1,868	2,077
Total current assets . . . . .	5,632	6,117
Property, plant and equipment . . . . .	4,487	4,228
Long-term financing receivables . . . . .	293	195
Intangible assets . . . . .	330	729
Other assets . . . . .	1,708	1,626
Total assets . . . . .	\$12,450	\$12,895
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable and short-term borrowings . . . . .	\$ 49	\$ 25
Capital lease obligations, short-term . . . . .	799	856
Accounts payable . . . . .	864	773
Employee compensation and benefits . . . . .	957	1,127
Taxes on earnings . . . . .	70	52
Deferred revenue . . . . .	1,054	944
Accrued restructuring . . . . .	522	565
Other accrued liabilities . . . . .	1,391	1,578
Total current liabilities . . . . .	5,706	5,920
Long-term debt . . . . .	397	434
Capital lease obligations, long-term . . . . .	1,589	1,629
Other liabilities . . . . .	3,530	3,664
Commitments and contingencies		
Equity:		
Parent company investment . . . . .	3,365	3,503
Accumulated other comprehensive loss . . . . .	(2,162)	(2,289)
Equity attributable to Everett . . . . .	1,203	1,214
Non-controlling interests . . . . .	25	34
Total equity . . . . .	1,228	1,248
Total liabilities and equity . . . . .	\$12,450	\$12,895

The accompanying notes are an integral part of these Combined Financial Statements.

**EVERETT SPINCO, INC.**  
**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**  
**Combined Statements of Cash Flows**

	<b>For the fiscal years ended October 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>In millions</b>		
Cash flows from operating activities:			
Net loss	\$(1,885)	\$(1,408)	\$(1,652)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	1,722	1,909	2,049
Stock-based compensation expense	218	184	134
Provision for doubtful accounts	(1)	28	29
Restructuring charges	722	1,048	618
Deferred taxes on earnings	482	35	150
Other, net	214	17	159
Changes in operating assets and liabilities:			
Accounts receivable	352	823	142
Financing receivables	(132)	328	117
Accounts payable	79	231	(34)
Taxes on earnings	20	(182)	(231)
Restructuring	(714)	(831)	(449)
Other assets and liabilities	(315)	(1,375)	(132)
Net cash provided by operating activities	<u>762</u>	<u>807</u>	<u>900</u>
Cash flows from investing activities:			
Investment in property, plant and equipment	(235)	(205)	(213)
Proceeds from sale of property, plant and equipment	97	98	34
Purchases of available-for-sale securities and other investments	(1)	(9)	(9)
Maturities and sales of available-for-sale securities and other investments	33	9	9
Other, net	(9)	6	—
Net cash used in investing activities	<u>(115)</u>	<u>(101)</u>	<u>(179)</u>
Cash flows from financing activities:			
Short-term borrowings with original maturities less than 90 days, net	1	—	—
Payment of debt	(9)	(18)	(1,102)
Principal payments on capital lease obligations	(1,094)	(1,339)	(984)
Net transfers from Parent	498	628	1,379
Cash paid to non-controlling interests	—	(4)	—
Net cash used in financing activities	<u>(604)</u>	<u>(733)</u>	<u>(707)</u>
Increase (decrease) in cash and cash equivalents	43	(27)	14
Cash and cash equivalents at beginning of period	174	201	187
Cash and cash equivalents at end of period	<u>\$ 217</u>	<u>\$ 174</u>	<u>\$ 201</u>
<b>Supplemental cash flow disclosures:</b>			
Income taxes (refunded) paid, net	\$ (20)	\$ 182	\$ 231
Interest expense paid	\$ 187	\$ 256	\$ 298
<b>Supplemental schedule of non-cash investing and financing activities:</b>			
Property, plant and equipment acquired through capital leases	\$ 773	\$ 1,141	\$ 867

The accompanying notes are an integral part of these Combined Financial Statements.

**EVERETT SPINCO, INC.**

**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**

**Combined Statements of Equity**

	<u>Parent Company Investment</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Equity Attributable to Everett</u>	<u>Non- controlling Interests</u>	<u>Total Equity</u>
	<b>In millions</b>				
Balance at October 31, 2012 .....	\$ 4,117	\$(2,035)	\$ 2,082	\$37	\$ 2,119
Net loss .....	(1,652)		(1,652)		(1,652)
Other comprehensive income .....		232	232		232
Comprehensive loss .....			(1,420)		(1,420)
Net transfers from Parent .....	1,553		1,553		1,553
Changes in non-controlling interests .....			—	(2)	(2)
Balance at October 31, 2013 .....	4,018	(1,803)	2,215	35	2,250
Net loss .....	(1,408)		(1,408)		(1,408)
Other comprehensive loss .....		(486)	(486)		(486)
Comprehensive loss .....			(1,894)		(1,894)
Net transfers from Parent .....	893		893		893
Changes in non-controlling interests .....			—	(1)	(1)
Balance at October 31, 2014 .....	3,503	(2,289)	1,214	34	1,248
Net loss .....	(1,885)		(1,885)		(1,885)
Other comprehensive income .....		127	127		127
Comprehensive loss .....			(1,758)		(1,758)
Net transfers from Parent .....	1,747		1,747		1,747
Changes in non-controlling interests .....			—	(9)	(9)
Balance at October 31, 2015 .....	<u>\$ 3,365</u>	<u>\$(2,162)</u>	<u>\$ 1,203</u>	<u>\$25</u>	<u>\$ 1,228</u>

The accompanying notes are an integral part of these Combined Financial Statements.

## EVERETT SPINCO, INC.

### THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY

#### Notes to Combined Financial Statements

##### **Note 1: Overview and Summary of Significant Accounting Policies**

###### *Background*

The Enterprise Services Business (“Everett SpinCo, Inc.” or “Everett”) of Hewlett Packard Enterprise Company (“HPE”) consists of the Enterprise Services segment of HPE excluding (a) the Mphasis Limited reporting unit and (b) the Communications and Media Solutions product group. Everett is a leading global provider of technology consulting, outsourcing and support services across infrastructure, applications and business process domains in traditional and Strategic Enterprise Service (“SES”) offerings which includes analytics and data management, security and cloud services. HPE was spun off by Hewlett-Packard Company in a November 1, 2015 transaction in which HP Inc. (“former Parent”), formerly known as Hewlett-Packard Company, separated into two independent publicly traded companies. Accordingly, the term “Parent” refers to the Hewlett-Packard Company for periods prior to November 1, 2015 and to HPE from November 1, 2015 onward.

On May 24, 2016, HPE announced plans for a tax-free spin-off of Everett and merger of Everett with Computer Sciences Corporation (“CSC”). Immediately following the transaction, which is currently targeted to be completed at or near April 1, 2017, shareholders of HPE will own shares of both HPE and approximately fifty percent of the new combined company. The transaction is subject to certain customary closing conditions including approval by CSC shareholders, the effective filing of related information statements and registration statements, completion of a tax-free spin-off of Everett, Everett debt transaction, the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the receipt of certain required foreign anti-trust approvals.

###### *Basis of Presentation*

These Combined Financial Statements of Everett were derived from the Combined and Consolidated Financial Statements and accounting records of Parent as if Everett were operated on a standalone basis during the periods presented and were prepared in accordance with U.S. generally accepted accounting principles (“GAAP”).

The Combined Statements of Operations and Comprehensive Loss of Everett reflect allocations of general corporate expenses from Parent including, but not limited to, executive management, finance, legal, information technology, employee benefits administration, treasury, risk management, procurement and other shared services. These allocations were made on a direct usage basis when identifiable, with the remainder allocated on the basis of revenue, expenses, headcount or other relevant measures. Management of Everett and Parent consider these allocations to be a reasonable reflection of the utilization of services by, or the benefits provided to, Everett. The allocations may not, however, reflect the expense Everett would have incurred as a standalone company for the periods presented. Actual costs that may have been incurred if Everett had been a standalone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

The Combined Balance Sheets of Everett include Parent assets and liabilities that are specifically identifiable or otherwise attributable to Everett, including subsidiaries and affiliates in which Parent has a controlling financial interest or is the primary beneficiary. Parent’s cash has not been assigned to Everett for any of the periods presented because those cash balances are not directly attributable to Everett. Everett reflects transfers of cash to and from Parent’s cash management system as a component of Parent company investment on the Combined Balance Sheets. Parent’s long-term debt has not been attributed to Everett for any of the periods presented because Parent’s borrowings are not the legal obligation of Everett.

## **EVERETT SPINCO, INC.**

### **THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**

#### **Notes to Combined Financial Statements (Continued)**

Parent maintains various benefit and stock-based compensation plans at a corporate level and other benefit plans at a subsidiary level. Everett's employees participate in those programs and a portion of the cost of those plans is included in the Combined Financial Statements. However, the Combined Balance Sheets do not include any net benefit plan obligations unless the benefit plan only included active, retired and other former Everett employees or any equity related to stock-based compensation plans.

#### *Principles of Combination*

The Combined Financial Statements include Everett's net assets and results of operations as described above. All intercompany transactions and accounts within the combined businesses of Everett have been eliminated.

Intercompany transactions between Everett and Parent other than leases with Parent's wholly-owned leasing subsidiary (see below) are considered to be effectively settled in the Combined Financial Statements at the time the transaction is recorded. The total net effect of the settlement of these intercompany transactions is reflected in the Combined Statements of Cash Flows within financing activities and in the Combined Balance Sheets within Parent company investment.

Everett accounts for investments in companies over which it has the ability to exercise significant influence but does not hold a controlling interest under the equity method, and Everett records its proportionate share of income or losses in Interest and other, net, in the Combined Statements of Operations.

Non-controlling interests are presented as a separate component within Equity in the Combined Balance Sheets. Net earnings attributable to the non-controlling interests are recorded within Interest and other, net, in the Combined Statements of Operations and are not presented separately as they were not material for any period presented.

#### *Use of Estimates*

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Combined Financial Statements and accompanying notes. Actual results could differ materially from those estimates.

#### *Foreign Currency Translation*

Everett predominantly uses the U.S. dollar as its functional currency. Assets and liabilities denominated in non-U.S. dollars are remeasured into U.S. dollars at current exchange rates for monetary assets and liabilities and at historical exchange rates for nonmonetary assets and liabilities. Net revenue, costs and expenses denominated in non-U.S. dollars are recorded in U.S. dollars at the average rates of exchange prevailing during the period. Everett includes gains or losses from foreign currency remeasurement in Interest and other, net, in the Combined Statements of Operations and gains and losses from cash flow hedges in Net revenue as the hedged revenue is recognized. Certain non-U.S. subsidiaries designate the local currency as their functional currency, and Everett records the translation of their assets and liabilities into U.S. dollars at the balance sheet date as translation adjustments and includes them as a component of Accumulated other comprehensive loss in the Combined Balance Sheets. The effect of foreign currency exchange rates on cash and cash equivalents was not material for any of the fiscal years presented.

## EVERETT SPINCO, INC.

### THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY

#### Notes to Combined Financial Statements (Continued)

##### *Leases with Parent's Wholly-owned Leasing Subsidiary*

Everett enters into leasing arrangements with Parent's wholly-owned leasing subsidiary, HPE Financial Services, which are cash settled on a recurring basis in accordance with the contractual terms of the leasing arrangements. These leasing arrangements are accounted for as capital leases or operating leases based on the contractual terms of the individual leasing arrangements. Capital lease obligations are presented on the face of the Combined Balance Sheets and principal payments on these obligations are reflected on a separate line within financing activities in the Combined Statements of Cash Flows.

##### *Parent Company Investment*

Parent company investment in the Combined Balance Sheets and Statements of Equity represents Parent's historical investment in Everett, the net effect of transactions with and allocations from Parent and Everett's accumulated earnings.

##### *Revenue Recognition*

###### *General*

Everett recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services are rendered, the sales price or fee is fixed or determinable, and collectability is reasonably assured. Everett limits the amount of revenue recognized for delivered elements to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified refund or return rights.

In instances when revenue is derived from sales of third-party vendor products or services, Everett records revenue on a gross basis when Everett is a principal to the transaction and on a net basis when Everett is acting as an agent between the customer and the vendor. Everett considers several factors to determine whether it is acting as a principal or an agent, most notably whether Everett is the primary obligor to the customer, has established its own pricing and has inventory and credit risks.

Everett reports revenue net of any taxes collected from customers and to be remitted to government authorities. The collected taxes are recorded as current liabilities until they are remitted to the relevant government authority.

###### *Multiple element arrangements*

When a sales arrangement contains multiple elements or deliverables, such as hardware and software products, and/or services, Everett allocates revenue to each element based on a selling price hierarchy. The selling price for a deliverable is based on its vendor specific objective evidence ("VSOE") of selling price, if available, third-party evidence ("TPE") if VSOE of selling price is not available, or estimated selling price ("ESP") if neither VSOE of selling price nor TPE is available. Everett establishes VSOE of selling price using the price charged for a deliverable when sold separately and, in rare instances, using the price established by management having the relevant authority. Everett establishes TPE of selling price by evaluating largely similar and interchangeable competitor products or services in standalone sales to similarly situated customers. Everett establishes ESP based on management judgment considering internal factors such as margin objectives, pricing practices and controls, customer segment pricing strategies and the product life cycle. Consideration is also given to market conditions such as competitor pricing strategies and technology industry life cycles. In most arrangements with multiple elements, Everett allocates the transaction price to the individual units of accounting at inception of the arrangement based on their relative selling price.

**EVERETT SPINCO, INC.**

**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**

**Notes to Combined Financial Statements (Continued)**

Everett evaluates each deliverable in an arrangement to determine whether it represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value to the customer. For elements with no standalone value, Everett recognizes revenue consistent with the pattern of the undelivered elements. If the arrangement includes a customer-negotiated refund or return right or other contingency relative to the delivered items, and the delivery and performance of the undelivered items is considered probable and substantially within Everett's control, the delivered element constitutes a separate unit of accounting. In arrangements with combined units of accounting, changes in the allocation of the transaction price among elements may impact the timing of revenue recognition for the contract but will not change the total revenue recognized for the contract.

*Services revenue*

Everett recognizes revenue from certain fixed-price contracts, such as consulting arrangements, as work progresses over the contract period on a proportional performance basis, as determined by the percentage of labor costs incurred to date compared to the total estimated labor costs of a contract. Everett recognizes revenue on fixed-price contracts for design and build projects (to design, develop and construct software infrastructure and systems) using the percentage-of-completion method. Everett uses the cost-to-cost method to measure progress toward completion as determined by the percentage of cost incurred to date compared to the total estimated costs of the project. Estimates of total project costs for fixed-price contracts are regularly revised during the life of a contract. Provisions for estimated losses on fixed-priced contracts are recognized in the period when such losses become known. If reasonable and reliable cost estimates for a project cannot be made, Everett uses the completed contract method and recognizes revenue and costs upon service completion. For time and material contracts, Everett recognizes revenue as services are rendered and recognizes costs as they are incurred.

Everett generally recognizes outsourcing services revenue in the period when the service is provided and the amount earned is not contingent on the occurrence of any future event. Everett recognizes revenue using an objective measure of output for unit-priced contracts. Revenue for fixed-price outsourcing contracts with periodic billings is recognized on a straight-line basis if the service is provided evenly during the contract term. Provisions for estimated losses on outsourcing arrangements are recognized in the period when such losses become probable and estimable.

*Product revenue*

For hardware and software products, Everett recognizes revenue generated from direct sales to end customers when the relevant revenue recognition criteria are satisfied. Product revenue was not material in any of the periods presented.

*Deferred revenue and deferred costs*

Everett records amounts invoiced to customers in excess of revenue recognized as deferred revenue until the revenue recognition criteria are satisfied. Everett records revenue that is earned and recognized in excess of amounts invoiced on services contracts as trade receivables.

Deferred revenue represents amounts invoiced in advance for outsourcing startup services work, consulting and integration projects, or product sales.

Everett recognizes costs associated with outsourcing contracts as incurred, unless such costs are considered direct and incremental to the startup phase of the contract, in which case Everett defers these costs during the



**EVERETT SPINCO, INC.**

**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**

**Notes to Combined Financial Statements (Continued)**

startup phase and subsequently amortizes such costs over the period that outsourcing services are provided, once those services commence. Everett amortizes deferred contract costs on a straight-line basis over the remaining term of the contract unless facts and circumstances of the contract indicate a shorter period is more appropriate. Based on actual and projected contract financial performance indicators, Everett analyzes the recoverability of deferred contract costs using the undiscounted estimated cash flows of the contract over its remaining term. If such undiscounted cash flows are insufficient to recover the carrying amount of deferred contract costs and long-lived assets directly associated with the contract, the deferred contract costs are first impaired. If a cash flow deficiency remains after reducing the carrying amount of the deferred contract costs to zero, Everett evaluates any remaining long-lived assets related to that contract for impairment.

*Stock-Based Compensation*

Everett's employees have historically participated in Parent's stock-based compensation plans. Stock-based compensation expense has been allocated to Everett based on the awards and terms previously granted to Everett's employees as well as an allocation of Parent's corporate and shared functional employee expenses. The stock-based compensation expense is based on the measurement date fair value of the award and is recognized only for those awards expected to meet the service and performance vesting conditions on a straight-line basis over the requisite service period of the award. Stock-based compensation expense is determined at the aggregate grant level for service-based awards and at the individual vesting tranche level for awards with performance and/or market conditions. The forfeiture rate is estimated based on Parent's historical experience.

*Retirement and Post-Retirement Plans*

Certain of Everett's eligible employees, retirees and other former employees participated in certain U.S. and international defined benefit pension plans and other post-employment plans offered by Parent. These plans, which included participants that were both Everett employees and other employees of Parent ("Shared" plans), were accounted for as multiemployer benefit plans and the related net benefit plan obligations were not included in Everett's historical Combined Balance Sheets. The related benefit plan expenses were allocated to Everett based on Everett's labor costs and allocations of corporate and other shared functional personnel.

Certain benefit plans in Everett's operations only included active, retired and other former Everett employees ("Direct" plans) and were accounted for as single employer benefit plans. Accordingly, the net benefit plan obligations and the related benefit plan expense of those plans have been recorded in the Combined Financial Statements for all periods presented. The most significant of these Direct plans are located in the United Kingdom, Germany and Canada.

Everett generally amortizes unrecognized actuarial gains and losses on a straight-line basis over the average remaining estimated service life or, in the case of frozen plans, life expectancy of participants. In some cases, actuarial gains and losses are amortized using the corridor approach.

*Advertising*

Costs to produce advertising are expensed as incurred during production. Costs to communicate advertising are expensed when the advertising is first run. Such costs totaled approximately \$38 million in fiscal 2015, \$51 million in fiscal 2014 and \$58 million in fiscal 2013.

## **EVERETT SPINCO, INC.**

### **THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**

#### **Notes to Combined Financial Statements (Continued)**

##### *Research and Development*

Research and development costs are expensed as incurred and included in Selling, general and administrative in the Combined Statements of Operations. Such costs totaled approximately \$21 million in fiscal 2015, \$37 million in fiscal 2014 and \$19 million in fiscal 2013.

##### *Restructuring*

Everett records charges associated with Parent-approved restructuring plans to reorganize one or more of Everett's business segments or to simplify business processes and accelerate innovation. Restructuring charges can include severance costs to eliminate a specified number of employees, infrastructure charges to vacate facilities and consolidate operations, and contract cancellation costs. Everett records restructuring charges based on estimated employee terminations and site closure and consolidation plans. Everett accrues for severance and other employee separation costs under these actions when it is probable that benefits will be paid and the amount is reasonably estimable. The rates used in determining severance accruals are based on existing plans, historical experiences and negotiated settlements.

##### *Taxes on Earnings*

Everett's operations have historically been included in the tax returns filed by the respective Parent entities of which Everett's businesses are a part. Income tax expense and other income tax related information contained in these Combined Financial Statements are presented on a separate return basis as if Everett filed its own tax returns. The separate return method applies the accounting guidance for income taxes to the standalone financial statements as if Everett were a separate taxpayer and a standalone enterprise for the periods presented. Current income tax liabilities related to entities which file jointly with Parent are assumed to be immediately settled with Parent and are relieved through the Parent company investment account and the Net transfers from Parent in the Combined Statements of Cash Flows.

Everett recognizes deferred tax assets and liabilities for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using enacted tax rates in effect for the year the differences are expected to reverse. Everett records a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be realized.

Everett records accruals for uncertain tax positions when Everett believes that it is not more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. Everett makes adjustments to these accruals when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. The provision for income taxes includes the effects of adjustments for uncertain tax positions, as well as any related interest and penalties.

##### *Accounts Receivable*

Everett establishes an allowance for doubtful accounts for accounts receivable. Everett records a specific reserve for individual accounts when Everett becomes aware of specific customer circumstances, such as in the case of a bankruptcy filing or deterioration in the customer's operating results or financial position. If there are additional changes in circumstances related to the specific customer, Everett further adjusts estimates of the recoverability of receivables. Everett maintains bad debt reserves for all other customers based on a variety of factors, including the use of third-party credit risk models that generate quantitative measures of default

## **EVERETT SPINCO, INC.**

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#### **Notes to Combined Financial Statements (Continued)**

probabilities based on market factors, the financial condition of customers, the length of time receivables are past due, trends in the weighted-average risk rating for the portfolio, macroeconomic conditions, information derived from competitive benchmarking, significant one-time events and historical experience. The past due or delinquency status of a receivable is based on the contractual payment terms of the receivable.

#### *Concentrations of Risk*

Financial instruments that potentially subject Everett to significant concentrations of credit risk consist principally of cash and cash equivalents, investments, receivables from trade customers, financing receivables and derivatives.

Everett participates in cash management, funding arrangements and risk management programs managed by Parent. Everett also maintains cash and cash equivalents, investments, derivatives and certain other financial instruments with various financial institutions. These financial institutions are located in many different geographic regions, and Everett's policy is designed to limit exposure from any particular institution. As part of its risk management processes, Everett performs periodic evaluations of the relative credit standing of these financial institutions. Everett has not sustained material credit losses from instruments held at these financial institutions. Everett utilizes derivative contracts to protect against the effects of foreign currency and interest rate exposures. Such contracts involve the risk of non-performance by the counterparty, which could result in a material loss.

No single customer accounts for more than 10% of gross accounts receivable. Credit risk with respect to accounts receivable is generally diversified due to the large number of entities comprising Everett's customer base and their dispersion across many different industries and geographic regions. Everett performs ongoing credit evaluations of the financial condition of its customers and may require collateral, such as letters of credit and bank guarantees, in certain circumstances.

#### *Inventory*

Inventory consists primarily of computer equipment for resale and is included as a component of Other current assets in the Combined Balance Sheets.

#### *Property, Plant and Equipment*

Everett states property, plant and equipment at cost less accumulated depreciation. Everett capitalizes additions and improvements and expenses maintenance and repairs as incurred. Depreciation expense is recognized on a straight-line basis over the estimated useful lives of the assets. Amortization of assets acquired through capital leases is included in depreciation expense. Estimated useful lives are five to 40 years for buildings and improvements and three to 15 years for machinery and equipment. Everett depreciates leasehold improvements over the life of the lease or the asset, whichever is shorter. Everett depreciates equipment held for lease over the initial term of the lease to the equipment's estimated residual value. The estimated useful lives of assets used solely to support a customer services contract generally do not exceed the term of the customer contract. On retirement or disposition, the asset cost and related accumulated depreciation are removed from the Combined Balance Sheets with any gain or loss recognized in the Combined Statements of Operations.

Everett capitalizes certain internal and external costs incurred to acquire or create internal use software, principally related to software coding, designing system interfaces and installation and testing of the software. Everett amortizes capitalized internal use software costs using the straight-line method over the estimated useful lives of the software, generally from three to five years.

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**Notes to Combined Financial Statements (Continued)**

*Intangible Assets and Long-Lived Assets*

Everett reviews intangible assets with finite lives and long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Everett assesses the recoverability of assets based on the estimated undiscounted future cash flows expected to result from the use and eventual disposition of the asset. If the undiscounted future cash flows are less than the carrying amount, the asset is impaired. Everett measures the amount of impairment loss, if any, as the difference between the carrying amount of the asset and its fair value using an income approach or, when available and appropriate, using a market approach. Everett amortizes intangible assets with finite lives using the straight-line method over the estimated economic lives of the assets, ranging from one to ten years.

*Debt and Marketable Equity Securities Investments*

Debt and marketable equity securities are generally considered available-for-sale and are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in Accumulated other comprehensive loss in the Combined Balance Sheets. Realized gains and losses for available-for-sale securities are calculated based on the specific identification method and included in Interest and other, net, in the Combined Statements of Operations. Everett monitors its investment portfolio for potential impairment on a quarterly basis. When the carrying amount of an investment in debt securities exceeds its fair value and the decline in value is determined to be other-than-temporary (i.e., when Everett does not intend to sell the debt securities and it is not more likely than not that Everett will be required to sell the debt securities prior to anticipated recovery of its amortized cost basis), Everett records an impairment charge to Interest and other, net, in the amount of the credit loss and the balance, if any, is recorded in Accumulated other comprehensive loss in the Combined Balance Sheets.

*Derivatives*

Everett uses derivative financial instruments, primarily forwards, swaps, and, at times, options, to hedge certain foreign currency and interest rate exposures. Everett also may use other derivative instruments not designated as hedges, such as forwards used to hedge foreign currency balance sheet exposures. Everett does not use derivative financial instruments for speculative purposes.

*Loss Contingencies*

Everett is involved in various lawsuits, claims, investigations and proceedings that arise in the ordinary course of business. Everett records a liability for contingencies when it believes it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

*Recently Adopted Accounting Pronouncements*

In November 2015, the Financial Accounting Standards Board ("FASB") amended the existing accounting standards for income taxes. The amendments require companies to report their deferred tax assets and liabilities each as a single non-current item on their classified balance sheets. Everett elected to adopt the amendments in the first quarter of fiscal 2016 and applied them retrospectively to all periods presented in the Combined Financial Statements, as permitted by the standard.

In September 2015, the FASB amended existing accounting standards to simplify the accounting for measurement period adjustments to provisional amounts recognized in a business combination. The amendments

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**Notes to Combined Financial Statements (Continued)**

require all such adjustments to be recognized in the period they are determined. Adjustments related to previous reporting periods since the acquisition date must be disclosed by income statement line item, either on the face of the income statement or within the footnotes. Everett elected to early adopt the amendments in the first quarter of fiscal 2016, as permitted by the standard. The adoption of the amendments did not have a material impact on the Combined Financial Statements.

In July 2013, the FASB issued a new accounting standard requiring the presentation of certain unrecognized tax benefits as reductions to deferred tax assets rather than as liabilities in the Combined Balance Sheets when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. Everett adopted the new standard in the first quarter of fiscal 2015 on a prospective basis. The adoption of this new standard did not have a material effect on the Combined Financial Statements.

*Recently Enacted Accounting Pronouncements*

In August 2016, the FASB amended the existing accounting standards for the statement of cash flows. The amendments provide guidance on eight classification issues related to the statement of cash flows. Everett is required to adopt the guidance in the first quarter of fiscal 2019. The amendments should be applied retrospectively to all periods presented. For issues that are impracticable to apply retrospectively, the amendments may be applied prospectively as of the earliest date practicable. Early adoption is permitted, including adoption in an interim period. Everett is currently evaluating the timing and the impact of these amendments on its Combined Financial Statements.

In June 2016, the FASB amended the existing accounting standards for the measurement of credit losses. The amendments require an entity to estimate its lifetime expected credit loss for most financial instruments, including trade and lease receivables, and record an allowance for the portion of the amortized cost the entity does not expect to collect. The estimate of expected credit losses should consider historical information, current information, and reasonable and supportable forecasts, including estimates of prepayments. Everett is required to adopt the guidance in the first quarter of fiscal 2021. Early adoption is permitted beginning in fiscal 2020. Everett is currently evaluating the timing and impact of these amendments on its Combined Financial Statements.

In March 2016, the FASB amended the existing accounting standards for employee share-based payment arrangements. The amendments require all excess tax benefits and tax deficiencies to be recognized as income tax expense or income tax benefit, respectively, rather than as additional paid-in capital. The amendments also increase the amount an employer can withhold in order to cover income taxes on awards, allows companies to recognize forfeitures of awards as they occur, and requires companies to present excess tax benefits from stock-based compensation as an operating activity in the statement of cash flows rather than as a financing activity. Everett is required to adopt the guidance in the first quarter of fiscal 2018. Early adoption is permitted. Everett is currently evaluating the timing and the impact of these amendments on its Combined Financial Statements.

In February 2016, the FASB amended the existing accounting standards for leases. The amendments require lessees to record, at lease inception, a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term on their balance sheets. Lessees may elect to not recognize lease liabilities and ROU assets for most leases with terms of 12 months or less. The lease liability is measured at the present value of the lease payments over the lease term. The ROU asset will be based on the liability, adjusted for lease prepayments, lease incentives received and the lessee's initial direct costs. For finance leases, expense will be the sum of interest on the lease obligation and amortization of the ROU asset, resulting in a front-loaded expense pattern. For operating leases, expense will generally be recognized on a

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**Notes to Combined Financial Statements (Continued)**

straight-line basis. The amended lessor accounting model is similar to the current model, updated to align with certain changes to the lessee model and the new revenue standard. The current sale-leaseback guidance, including guidance applicable to real estate, is also replaced with a new model for both lessees and lessors. Everett is required to adopt the guidance in the first quarter of fiscal 2020 using a modified retrospective approach. Early adoption is permitted. Everett is currently evaluating the timing and the impact of these amendments on its Combined Financial Statements.

In April 2015, the FASB amended the existing accounting standards for intangible assets. The amendments provide explicit guidance to customers in determining the accounting for fees paid in a cloud computing arrangement, wherein the arrangements that do not convey a software license to the customer are accounted for as service contracts. The amendments also eliminate the practice of accounting for software licenses as executory contracts which may result in more software assets being capitalized. Everett is required to adopt the guidance in the first quarter of fiscal 2017; however early adoption is permitted as is retrospective application. Everett is currently evaluating the impact of these amendments on its Combined Financial Statements.

In April 2015, the FASB amended the existing accounting standards for imputation of interest. The amendments require that debt issuance costs related to a recognized debt liability be presented on the classified balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by these amendments. Everett is required to adopt the guidance in the first quarter of fiscal 2017. Early adoption is permitted. The amendments should be applied retrospectively with the adjusted balance sheet of each individual period presented, in order to reflect the period-specific effects of applying the new guidance. The adoption of these amendments is not expected to have a material impact on the Combined Financial Statements.

In May 2014, the FASB amended the existing accounting standards for revenue recognition. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued an accounting standard update for a one-year deferral of the effective date, with an option of applying the standard on the original effective date, which for Everett is the first quarter of fiscal 2018. In accordance with this deferral, Everett is required to adopt these amendments in the first quarter of fiscal 2019. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. Everett is currently evaluating the impact of these amendments and the transition alternatives on its Combined Financial Statements.

**Note 2: Segment Information**

Everett is a leading global provider of technology consulting, outsourcing and support services across infrastructure, applications and business process domains in traditional and SES offerings. Everett's operations are organized into two segments for financial reporting purposes: Infrastructure Technology Outsourcing ("ITO") and Application and Business Services ("ABS"). Everett's organizational structure is based on a number of factors that Everett management uses to evaluate, view and run its business operations, which include, but are not limited to, customer base and homogeneity of services and technology. The segments are based on this organizational structure and information reviewed by Everett management to evaluate segment results.

A summary description of each segment follows.



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**Notes to Combined Financial Statements (Continued)**

*Infrastructure Technology Outsourcing* delivers comprehensive services that encompass the management of data centers, information technology security, cloud computing, workplace technology, networks, unified communications and enterprise service management.

*Application and Business Services* helps clients develop, revitalize and manage their applications and information assets.

*Segment Policy*

Everett derives the results of the business segments directly from its internal management reporting system. The accounting policies Everett uses to derive segment results are substantially the same as those Parent uses. Management measures the performance of each segment based on several metrics, including earnings from operations. Management uses these results, in part, to evaluate the performance of, and to allocate resources to, each of the segments.

Everett does not allocate to its segments certain operating expenses, which it manages at the corporate level. These unallocated costs include certain corporate governance costs, stock-based compensation expense, amortization of intangible assets, restructuring charges, separation costs, defined benefit plan settlement charges and impairment of data center assets.

*Segment Operating Results*

	<u>Infrastructure Technology Outsourcing</u>	<u>Application and Business Services</u>	<u>Total</u>
	<b>In millions</b>		
<b><u>2015</u></b>			
Total segment net revenue . . . . .	\$12,806	\$6,226	\$19,032
Segment earnings from operations . . . . .	\$ 263	\$ 505	\$ 768
<b><u>2014</u></b>			
Total segment net revenue . . . . .	\$14,733	\$7,129	\$21,862
Segment earnings from operations . . . . .	\$ 238	\$ 384	\$ 622
<b><u>2013</u></b>			
Total segment net revenue . . . . .	\$15,980	\$7,696	\$23,676
Segment earnings from operations . . . . .	\$ 246	\$ 343	\$ 589

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**Notes to Combined Financial Statements (Continued)**

The reconciliation of segment operating results to the combined results was as follows:

	For the fiscal years ended October 31		
	2015	2014	2013
	In millions		
<b>Net Revenue:</b>			
Total combined net revenue	\$19,032	\$21,862	\$23,676
<b>Earnings before taxes:</b>			
Total segment earnings from operations	\$ 768	\$ 622	\$ 589
Corporate and unallocated costs and eliminations	(169)	(290)	(256)
Stock-based compensation expense	(218)	(184)	(134)
Amortization of intangible assets	(399)	(398)	(551)
Restructuring charges	(722)	(1,048)	(618)
Separation costs	(258)	—	—
Defined benefit plan settlement charges	(233)	—	—
Impairment of data center assets	(136)	—	—
Interest and other, net	(179)	(228)	(249)
Total combined loss before taxes	<u>\$ (1,546)</u>	<u>\$ (1,526)</u>	<u>\$ (1,219)</u>

*Segment Assets*

Everett allocates assets to its business segments based on a determination of the segments primarily benefiting from the assets. Total assets by segment and the reconciliation of segment assets to the combined assets were as follows:

	As of October 31	
	2015	2014
	In millions	
Infrastructure Technology Outsourcing	\$ 8,837	\$ 8,560
Application and Business Services	2,604	3,172
Corporate and unallocated assets	1,009	1,163
Total combined assets	<u>\$12,450</u>	<u>\$12,895</u>

*Major Customers*

No single customer represented 10% or more of Everett's total net revenue in any fiscal year presented.

*Geographic Information*

Net revenue by country is based upon the sales location that predominantly represents the customer location. For each of the fiscal years of 2015, 2014 and 2013, other than the U.S. and the United Kingdom, no country represented more than 10% of Everett's net revenue.



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**Notes to Combined Financial Statements (Continued)**

Net revenue by country in which Everett operates was as follows:

	<b>For the fiscal years ended October 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>In millions</b>		
U.S. ....	\$ 8,187	\$ 9,358	\$10,367
United Kingdom .....	3,439	3,580	3,745
Other countries .....	7,406	8,924	9,564
Total net revenue .....	<u>\$19,032</u>	<u>\$21,862</u>	<u>\$23,676</u>

As of October 31, 2015, Australia, Canada, and the U.S. each represented 10% or more of net assets.

Net property, plant and equipment by country in which Everett operates was as follows:

	<b>As of October 31</b>	
	<b>2015</b>	<b>2014</b>
	<b>In millions</b>	
U.S. ....	\$2,417	\$1,871
United Kingdom .....	565	707
Other countries .....	1,505	1,650
Total net property, plant and equipment .....	<u>\$4,487</u>	<u>\$4,228</u>

EVERETT SPINCO, INC.

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Notes to Combined Financial Statements (Continued)

**Note 3: Restructuring**

*Summary of Restructuring Plans*

Restructuring charges of \$0.7 billion, \$1.0 billion and \$0.6 billion have been recorded by Everett during fiscal 2015, 2014 and 2013, respectively, based on restructuring activities impacting Everett's employees and infrastructure as well as an allocation of restructuring charges related to Parent's corporate and shared functional employees and infrastructure. Allocated restructuring charges related to Parent's corporate and shared functional employees and infrastructure were \$34 million, \$64 million and \$55 million in fiscal 2015, fiscal 2014 and fiscal 2013, respectively. Restructuring activities related to Everett's employees and infrastructure ("Direct Restructuring"), summarized by plan were as presented in the table below:

	Fiscal 2015 Plan		Fiscal 2012 Plan		Other Plans		
	Employee Severance	Infrastructure and other	Employee Severance and EER	Infrastructure and other	Employee Severance	Infrastructure and other	Total
	In millions						
Liability as of October 31, 2012 . . . .	\$ —	\$—	\$ 249	\$ —	\$ 68	\$ 137	\$ 454
Charges . . . . .	—	—	510	82	(32)	3	563
Cash payments . . . . .	—	—	(290)	(78)	(35)	(46)	(449)
Non-cash items . . . . .	—	—	(6)	—	8	1	3
Liability as of October 31, 2013 . . . .	—	—	463	4	9	95	571
Charges . . . . .	—	—	822	164	—	(2)	984
Cash payments . . . . .	—	—	(628)	(149)	(2)	(52)	(831)
Non-cash items . . . . .	—	—	(68)	—	—	—	(68)
Liability as of October 31, 2014 . . . .	—	—	589	19	7	41	656
Charges . . . . .	279	—	345	73	(4)	(5)	688
Cash payments . . . . .	—	—	(613)	(83)	(1)	(17)	(714)
Non-cash items . . . . .	(1)	—	(47)	(1)	(1)	—	(50)
Liability as of October 31, 2015 . . . .	<u>\$ 278</u>	<u>\$—</u>	<u>\$ 274</u>	<u>\$ 8</u>	<u>\$ 1</u>	<u>\$ 19</u>	<u>\$ 580</u>
Total Costs Incurred to Date as of							
October 31, 2015 . . . . .	<u>\$ 279</u>	<u>\$—</u>	<u>\$2,535</u>	<u>\$ 391</u>	<u>\$427</u>	<u>\$1,111</u>	<u>\$4,743</u>
Total Expected Costs to be Incurred							
as of October 31, 2015 . . . . .	<u>\$1,770</u>	<u>\$200</u>	<u>\$2,535</u>	<u>\$ 391</u>	<u>\$427</u>	<u>\$1,111</u>	<u>\$6,434</u>

The current restructuring liability reported in Accrued restructuring in the Combined Balance Sheets at October 31, 2015 and 2014 was \$522 million and \$565 million, respectively. The long-term restructuring liability reported in Other liabilities in the Combined Balance Sheets at October 31, 2015 and 2014 was \$58 million and \$91 million, respectively.

*Fiscal 2015 Restructuring Plan*

On September 14, 2015, Parent's Board of Directors approved a restructuring plan (the "2015 Plan") which will be implemented through fiscal 2018. As part of the 2015 Plan, Everett expects up to approximately 27,700 employees to exit Everett by the end of 2018. The changes to the workforce will vary by country, based on local legal requirements and consultations with employee works councils and other employee representatives, as

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**Notes to Combined Financial Statements (Continued)**

appropriate. Everett estimates that it will incur aggregate pre-tax charges through fiscal 2018 of approximately \$2.0 billion in connection with the 2015 Plan, of which approximately \$1.8 billion relates to workforce reductions and approximately \$200 million primarily relates to real estate consolidation.

*Fiscal 2012 Restructuring Plan*

On May 23, 2012, Parent adopted a multi-year restructuring plan (the “2012 Plan”) designed to simplify business processes, accelerate innovation and deliver better results for customers, employees and stockholders. As of October 31, 2015 Everett had eliminated 29,400 positions in connection with the 2012 Plan, with a portion of those employees exiting Everett as part of voluntary enhanced early retirement (“EER”) programs in the U.S. and in certain other countries. Everett recognized \$2.9 billion in total aggregate charges in connection with the 2012 Plan, with \$2.5 billion related to workforce reductions, including the EER programs, and \$391 million related to infrastructure, including data center and real estate consolidation and other items. The severance and infrastructure related cash payments associated with the 2012 Plan are expected to be paid out through fiscal 2021.

*Other Plans*

Restructuring plans initiated by Parent in fiscal 2008 and 2010 were substantially completed as of April 30, 2015. Severance and infrastructure related cash payments associated with these plans are expected to be paid out through fiscal 2019.

**Note 4: Retirement and Post-Retirement Benefit Plans**

*Defined Benefit Plans*

Certain eligible employees, retirees and other former employees of Everett participate in certain U.S. and international defined benefit pension plans offered by Parent. These plans whose participants included both Everett employees and other employees of Parent are accounted for as multiemployer benefit plans and the related net benefit plan obligations are not included in the Combined Balance Sheets. The related benefit plan expense has been allocated to Everett based on Everett’s labor costs and allocations of corporate and other shared functional personnel. Parent contributions to these Shared plans were \$518 million in fiscal 2015, \$277 million in fiscal 2014 and \$354 million in fiscal 2013.

Certain benefit plans in Everett’s operations only included active, retired and other former Everett employees and were accounted for as single employer benefit plans. Accordingly, the net benefit plan obligations and the related benefit plan expense of those plans have been recorded in the Combined Financial Statements for all periods presented. The most significant of these Direct plans are located in the United Kingdom, Germany and Canada.

*Post-Retirement Benefit Plans*

Prior to July 31, 2015, Parent sponsored retiree health and welfare benefit plans, of which the most significant plans were in the U.S. All of these plans were accounted for as multiemployer benefit plans. Everett recognized post-retirement benefit credits of \$21 million in fiscal 2015, \$9 million in fiscal 2014 and \$47 million in fiscal 2013 in the Combined Statements of Operations.

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Notes to Combined Financial Statements (Continued)

*Defined Contribution Plans*

Parent offers various defined contribution plans for U.S. and non-U.S. employees. Everett's defined contribution expense was approximately \$236 million in fiscal 2015, \$263 million in fiscal 2014 and \$292 million in fiscal 2013.

*Pension Benefit Expense*

Everett's total net pension benefit cost recognized in the Combined Statements of Operations was \$232 million in fiscal 2015, \$180 million in fiscal 2014 and \$320 million in fiscal 2013.

In January 2015, Parent offered certain terminated vested participants of the U.S. HP Pension Plan, a Shared plan, a one-time voluntary window during which they could elect to receive their pension benefit as a lump sum payment. As a result, the Parent pension plan trust made lump sum payments to eligible participants who elected to receive their pension benefit under this lump sum program. The defined benefit plan settlement charges of \$233 million recorded in the Combined Statement of Operations for the year ended October 31, 2015, primarily include settlement expenses and additional net periodic benefit cost resulting from this lump sum program incurred by the Parent, which was determined to be directly attributable to Everett and the impact of re-measurement of the related U.S. defined benefit plans.

Everett's net pension benefit cost recognized in the Combined Statements of Operations for Direct plans were as follows:

	For the fiscal years ended October 31					
	2015	2014	2013	2015	2014	2013
	U.S. Defined Benefit Plans			Non-U.S. Defined Benefit Plans		
	In millions					
Service cost .....	\$—	\$—	\$—	\$ 73	\$ 74	\$ 100
Interest cost .....	16	15	15	252	280	270
Expected return on plan assets .....	—	—	—	(390)	(361)	(328)
Amortization and deferrals:						
Actuarial loss .....	2	2	2	135	79	83
Prior service benefit .....	—	—	—	(2)	(2)	(3)
Net periodic benefit cost .....	18	17	17	68	70	122
Curtailment (gain) loss .....	—	—	—	—	(2)	10
Settlement loss .....	—	—	—	1	7	17
Special termination benefits .....	—	—	—	17	39	19
Net benefit cost .....	\$ 18	\$ 17	\$ 17	\$ 86	\$ 114	\$ 168

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Notes to Combined Financial Statements (Continued)

The weighted-average assumptions used to calculate net pension benefit cost for Direct plans were as follows:

	For the fiscal years ended October 31					
	2015	2014	2013	2015	2014	2013
	U.S. Defined Benefit Plans			Non-U.S. Defined Benefit Plans		
Discount rate	4.3%	4.8%	4.0%	3.6%	4.2%	4.4%
Expected increase in compensation levels	—	—	—	2.7%	2.9%	2.9%
Expected long-term return on plan assets	—	—	—	8.0%	8.1%	8.3%

*Funded Status*

The funded status of the plans was as follows:

	As of October 31			
	2015	2014	2015	2014
	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans	
	In millions			
Change in fair value of plan assets:				
Fair value—beginning of year	\$ —	\$ —	\$ 5,059	\$ 4,738
Merged into Parent’s Shared plan <sup>(1)</sup>	—	—	—	(480)
Acquisition/addition of plans	—	—	(46)	—
Actual return on plan assets	—	—	250	326
Employer contributions	21	20	99	746
Participant contributions	—	—	2	3
Benefits paid	(21)	(20)	(181)	(168)
Settlement	—	—	(5)	(27)
Currency impact	—	—	(238)	(79)
Fair value—end of year	—	—	4,940	5,059
Change in benefit obligation:				
Projected benefit obligation—beginning of year	370	328	7,259	6,988
Merged into Parent’s Shared plan <sup>(1)</sup>	(365)	—	—	(501)
Transfer from Parent <sup>(2)</sup>	—	—	(1)	—
Acquisition/divestiture of plans	—	—	(45)	2
Service cost	—	—	73	74
Interest cost	16	15	252	280
Participant contributions	—	—	2	3
Actuarial loss	—	47	26	727
Benefits paid	(21)	(20)	(181)	(168)
Plan amendments	—	—	(53)	—
Curtailment	—	—	—	(13)
Settlement	—	—	(5)	(27)
Special termination benefits	—	—	17	39
Currency impact	—	—	(381)	(145)
Projected benefit obligation—end of year	—	370	6,963	7,259
Funded status at end of year	\$ —	\$(370)	\$ (2,023)	\$(2,200)
Accumulated benefit obligation	\$ —	\$ 370	\$ 6,591	\$ 6,760

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**Notes to Combined Financial Statements (Continued)**

- (1) In fiscal 2014, Everett's Direct plan in the Netherlands was merged into Parent's Shared plan. In October 2015, Everett transferred to Parent three unfunded non-qualified U.S. defined benefit plans.
- (2) In fiscal 2015, Parent transferred net plan liabilities from Parent's shared plans to established Everett plans.

The weighted-average assumptions used to calculate the projected benefit obligations for Direct plans were as follows:

	For the fiscal years ended October 31			
	2015	2014	2015	2014
	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans	
Discount rate .....	—	4.3%	3.6%	3.7%
Expected increase in compensation levels .....	—	—	2.7%	2.7%

The net amounts recognized for defined benefit plans in the Combined Balance Sheets were as follows:

	As of October 31			
	2015	2014	2015	2014
	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans	
	In millions			
Noncurrent assets . . . . .	\$—	\$ —	\$ 42	\$ 42
Current liabilities . . . . .	—	(20)	(21)	(23)
Noncurrent liabilities . . . . .	—	(350)	(2,044)	(2,219)
Funded status at end of year . . . . .	\$—	\$(370)	\$(2,023)	\$(2,200)

The following table summarizes the pre-tax net actuarial loss and prior service benefit recognized in Accumulated other comprehensive loss for the defined benefit plans:

	As of October 31, 2015	
	U.S. Defined Benefit Plans	Non-U.S. Defined Benefit Plans
	In millions	
Net actuarial loss .....	\$—	\$1,834
Prior service benefit .....	—	(59)
Total recognized in Accumulated other comprehensive loss .....	<u>\$—</u>	<u>\$1,775</u>

The following table summarizes the net actuarial loss and prior service benefit for plans that are expected to be amortized from Accumulated other comprehensive loss and recognized as components of net periodic benefit cost during the next fiscal year.

	U.S. Defined Benefit Plans	Non-U.S. Defined Benefit Plans
	In millions	
Net actuarial loss .....	\$—	\$98
Prior service benefit .....	—	(6)
Total expected to be recognized in net periodic benefit cost .....	<u>\$—</u>	<u>\$92</u>

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Notes to Combined Financial Statements (Continued)

Defined benefit plans with projected benefit obligations exceeding the fair value of plan assets were as follows:

	As of October 31			
	2015	2014	2015	2014
	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans	
	In millions			
Aggregate fair value of plan assets . . . . .	\$—	\$—	\$4,580	\$4,603
Aggregate projected benefit obligation . . . . .	\$—	\$370	\$6,645	\$6,846

Defined benefit plans with accumulated benefit obligations exceeding the fair value of plan assets were as follows:

	As of October 31			
	2015	2014	2015	2014
	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans	
	In millions			
Aggregate fair value of plan assets . . . . .	\$—	\$—	\$4,580	\$4,603
Aggregate accumulated benefit obligation . . . . .	\$—	\$370	\$6,283	\$6,357

*Fair Value of Plan Assets*

The table below sets forth the fair value of non-U.S defined benefit plan assets by asset category within the fair value hierarchy.

	As of October 31, 2015				As of October 31, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	In millions							
Asset Category:								
Equity securities								
U.S. . . . .	\$ 799	\$ —	\$—	\$ 799	\$ 946	\$ —	\$—	\$ 946
Non-U.S. . . . .	1,273	—	—	1,273	1,259	—	—	1,259
Debt securities								
Corporate . . . . .	—	606	—	606	—	586	—	586
Government <sup>(1)</sup> . . . . .	—	212	—	212	—	181	—	181
Alternative investments								
Private Equity <sup>(2)</sup> . . . . .	—	—	41	41	—	—	28	28
Hybrids <sup>(3)</sup> . . . . .	—	1,427	—	1,427	—	1,378	—	1,378
Hedge Funds <sup>(4)</sup> . . . . .	—	70	—	70	—	77	—	77
Real Estate Funds . . . . .	—	—	342	342	—	—	336	336
Insurance Group Annuity Contracts . . .	—	1	—	1	—	—	—	—
Cash and Cash Equivalents <sup>(5)</sup> . . . . .	126	—	—	126	225	(1)	—	224
Other <sup>(6)</sup> . . . . .	36	7	—	43	28	16	—	44
Total . . . . .	<u>\$2,234</u>	<u>\$2,323</u>	<u>\$383</u>	<u>\$4,940</u>	<u>\$2,458</u>	<u>\$2,237</u>	<u>\$364</u>	<u>\$5,059</u>

(1) Includes debt issued by national, state and local governments and agencies.

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**Notes to Combined Financial Statements (Continued)**

- (2) Includes limited partnerships such as equity, buyout, venture capital, real estate and other similar funds that invest in the U.S. and internationally where foreign currencies are hedged.
- (3) Includes a fund that invests in both private and public equities primarily in the U.S. and the United Kingdom, as well as emerging markets across all sectors. The fund also holds fixed income and derivative instruments to hedge interest rate and inflation risk. In addition, the fund includes units in transferable securities, collective investment schemes, money market funds, cash and deposits.
- (4) Includes limited partnerships that invest in both long and short positions primarily in common stocks and credit, relative value, event driven equity, distressed debt and macro strategies. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks and bonds, and from a net long position to a net short position.
- (5) Includes cash and cash equivalents such as short-term marketable securities.
- (6) Includes international insured contracts, derivative instruments and unsettled transactions.

Changes in fair value measurements of Level 3 investments for the non-U.S. defined benefit plans were as follows:

<b>Fiscal year ended October 31, 2015</b>			
	<b>Alternative Investments</b>	<b>Real Estate Funds</b>	<b>Total</b>
	<b>Private Equity</b>		
<b>In millions</b>			
Balance at beginning of year	\$28	\$336	\$364
Actual return on plan assets:			
Relating to assets held at the reporting date	(1)	(8)	(9)
Relating to assets sold during the period	5	—	5
Purchases, sales, and settlements	9	14	23
Balance at end of year	<u>\$41</u>	<u>\$342</u>	<u>\$383</u>

<b>Fiscal year ended October 31, 2014</b>					
	<b>Alternative Investments</b>	<b>Real Estate Funds</b>	<b>Insurance Group Annuities</b>	<b>Total</b>	
	<b>Private Equity</b>	<b>Hedge Funds</b>			
<b>In millions</b>					
Balance at beginning of year	\$ 18	\$ 10	\$166	\$ 35	\$229
Merged into Parent's Shared plan <sup>(1)</sup>	—	(6)	—	(35)	(41)
Actual return on plan assets:					
Relating to assets held at the reporting date	—	—	25	—	25
Purchases, sales, and settlements	10	(4)	97	—	103
Transfers in and/or out of Level 3	—	—	48	—	48
Balance at end of year	<u>\$ 28</u>	<u>\$—</u>	<u>\$336</u>	<u>\$—</u>	<u>\$364</u>

(1) In fiscal 2014, Everett's Direct plan in the Netherlands was merged into Parent's Shared plan.

The following is a description of the valuation methodologies used to measure plan assets at fair value. There have been no changes in the methodologies used during the reporting period.

Investments in publicly traded equity securities are valued using the closing price on the measurement date as reported on the stock exchange on which the individual securities are traded. For corporate, government and



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**Notes to Combined Financial Statements (Continued)**

asset-backed debt securities, fair value is based on observable inputs of comparable market transactions. For corporate and government debt securities traded on active exchanges, fair value is based on observable quoted prices. The valuation of alternative investments, such as limited partnerships and joint ventures, may require significant management judgment. For alternative investments, valuation is based on net asset value (“NAV”) as reported by the asset manager and adjusted for cash flows, if necessary. In making such an assessment, a variety of factors are reviewed by management, including, but not limited to, the timeliness of NAV as reported by the asset manager and changes in general economic and market conditions subsequent to the last NAV reported by the asset manager. Depending on the amount of management judgment, the lack of near-term liquidity, and the absence of quoted market prices, these assets are classified in Level 2 or Level 3 of the fair value hierarchy.

Cash and cash equivalents includes money market funds which are valued based on NAV. Other assets, including insurance group annuity contracts, were classified in the fair value hierarchy based on the lowest level input (e.g., quoted prices and observable inputs) that is significant to the fair value measure in its entirety.

*Plan Asset Allocations*

The weighted-average target and actual asset allocations across the benefit plans at the respective measurement dates for the non-U.S. defined benefit plans and post-retirement benefit plan were as follows:

<u>Asset Category</u>	<b>Non-U.S. Defined Benefit Plans</b>		
	<b>2015 Target Allocation</b>	<b>Plan Assets</b>	
		<b>2015</b>	<b>2014</b>
Public equity securities .....		43.4%	45.1%
Private/other equity securities .....		29.7%	27.8%
Real estate and other .....		7.8%	7.5%
Equity-related investments .....	72.3%	80.9%	80.4%
Debt securities .....	27.7%	16.6%	15.2%
Cash .....	—	2.5%	4.4%
Total .....	100.0%	100.0%	100.0%

*Investment Policy*

Everett’s investment strategy is to seek a competitive rate of return relative to an appropriate level of risk depending on the funded status of each plan and the timing of expected benefit payments. The majority of the plans’ investment managers employ active investment management strategies with the goal of outperforming the broad markets in which they invest. Risk management practices include diversification across asset classes and investment styles and periodic rebalancing toward asset allocation targets. A number of the plans’ investment managers are authorized to utilize derivatives for investment or liability exposures, and Everett may utilize derivatives to effect asset allocation changes or to hedge certain investment or liability exposures.

Outside the U.S., asset allocation decisions are typically made by an independent board of trustees for the specific plan. Investment objectives are designed to generate returns that will enable the plan to meet its future obligations. In some countries, local regulations may restrict asset allocations, typically leading to a higher percentage of investment in fixed income securities than would otherwise be deployed. Everett reviews the investment strategy and provides a recommended list of investment managers for each country plan, with final decisions on asset allocation and investment managers made by the board of trustees for the specific plan.

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Notes to Combined Financial Statements (Continued)

*Basis for Expected Long-Term Rate of Return on Plan Assets*

The expected long-term rate of return on plan assets reflects the expected returns for each major asset class in which the plan invests and the weight of each asset class in the target mix. Expected asset returns reflect the current yield on government bonds, risk premiums for each asset class and expected real returns, which considers each country's specific inflation outlook. Because Everett's investment policy is to employ primarily active investment managers who seek to outperform the broader market, the expected returns are adjusted to reflect the expected additional returns, net of fees.

*Future Contributions and Funding Policy*

In fiscal 2016, Everett expects to contribute approximately \$110 million to its non-U.S. pension plans. Everett's policy is to fund its pension plans so that it makes at least the minimum contribution required by local government, funding and taxing authorities.

*Estimated Future Benefits Payments*

As of October 31, 2015, estimated future benefits payments for Everett's retirement plans were as follows:

<u>Fiscal year</u>	<u>Non-U.S. Defined Benefit Plans</u>
	<u>In millions</u>
2016 .....	\$ 152
2017 .....	\$ 155
2018 .....	\$ 169
2019 .....	\$ 184
2020 .....	\$ 202
Next five fiscal years to October 31, 2025 .....	\$1,273

**Note 5: Stock-Based Compensation**

Certain of Everett's employees participate in stock-based compensation plans sponsored by Parent. Parent's stock-based compensation plans include incentive compensation plans and an employee stock purchase plan ("ESPP"). All awards granted under the plans are based on Parent's common shares and, as such, are not reflected in the Combined Statements of Equity. Stock-based compensation expense includes expense attributable to Everett based on the awards and terms previously granted under the incentive compensation plan to Everett's employees and an allocation of Parent's corporate and shared functional employee expenses. Accordingly, the amounts presented are not necessarily indicative of future awards and do not necessarily reflect the results that Everett would have experienced as an independent company for the periods presented.

*Parent's Stock-Based Incentive Compensation Plans*

Parent's stock-based incentive compensation plans include equity plans adopted in 2015, 2004 and 2000, as amended ("Principal Equity Plans"), as well as various equity plans assumed through acquisitions under which stock-based awards were outstanding. Stock-based awards granted from the Principal Equity Plans include restricted stock awards, stock options, and performance-based awards. Employees who meet certain employment qualifications are eligible to receive stock-based awards.

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**Notes to Combined Financial Statements (Continued)**

Restricted stock awards are non-vested stock awards that may include grants of restricted stock or restricted stock units. Restricted stock awards and cash-settled awards are generally subject to forfeiture if employment terminates prior to the lapse of the restrictions. Such awards generally vest one to three years from the date of grant. During the vesting period, ownership of the restricted stock cannot be transferred. Restricted stock has the same dividend and voting rights as common stock and is considered to be issued and outstanding upon grant. The dividends paid on restricted stock are non-forfeitable. Restricted stock units have forfeitable dividend equivalent rights equal to the dividend paid on common stock. Restricted stock units do not have the voting rights of common stock, and the shares underlying restricted stock units are not considered issued and outstanding upon grant. The fair value of the restricted stock awards is the close price of Parent's common stock on the grant date of the award. Everett expenses the fair value of restricted stock awards ratably over the period during which the restrictions lapse.

Stock options granted under the Principal Equity Plans were generally non-qualified stock options, but the Principal Equity Plans permitted certain options granted to qualify as incentive stock options under the U.S. Internal Revenue Code. Stock options generally vest over three to four years from the date of grant. The exercise price of a stock option was equal to the closing price of Parent's stock on the option grant date. The majority of stock options issued by Parent contained only service vesting conditions. However, starting in fiscal 2011, Parent began granting performance-contingent stock options that vest only on the satisfaction of both service and market conditions prior to the expiration of those awards.

*Stock-Based Compensation Expense and Related Income Tax Benefits*

Stock-based compensation expense and the resulting tax benefits recognized by Everett were as follows:

	<b>For the fiscal years ended October 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>In millions</b>		
Stock-based compensation expense .....	\$218	\$184	\$134
Income tax benefit .....	—	—	—
Stock-based compensation expense, net of tax .....	<u>\$218</u>	<u>\$184</u>	<u>\$134</u>

In connection with HPE's November 1, 2015 separation from Hewlett-Packard Company, the Board of Directors approved amendments to certain outstanding long-term incentive awards on July 29, 2015. The amendments provided for the accelerated vesting on September 17, 2015 of certain stock-based awards that were otherwise scheduled to vest between September 18, 2015 and December 31, 2015. Everett's increased pre-tax stock-based compensation expense due to the acceleration was approximately \$24 million in fiscal year 2015.

Stock-based compensation expense includes an allocation of Parent's corporate and shared functional employee expenses of \$64 million, \$51 million and \$33 million in fiscal 2015, 2014 and 2013, respectively.

Cash received from option exercises and purchases under Parent's ESPP by Everett employees was \$46 million in fiscal 2015, \$43 million in fiscal 2014 and \$33 million in fiscal 2013. No benefit was realized for the tax deduction from option exercises in fiscal 2015, 2014 and 2013.

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Notes to Combined Financial Statements (Continued)

*Restricted Stock Awards*

A summary of restricted stock awards activity for Everett employees is as follows:

	Fiscal years ended October 31					
	2015		2014		2013	
	Shares In thousands	Weighted-Average Grant Date Fair Value Per Share	Shares In thousands	Weighted-Average Grant Date Fair Value Per Share	Shares In thousands	Weighted-Average Grant Date Fair Value Per Share
Outstanding at beginning of year . . .	10,812	\$24	7,301	\$ 21	6,195	\$ 31
Granted . . . . .	4,908	\$36	7,376	\$ 28	4,325	\$ 15
Vested . . . . .	(8,075)	\$26	(3,239)	\$ 25	(2,655)	\$ 33
Forfeited . . . . .	(472)	\$30	(626)	\$ 23	(564)	\$ 25
Employee transition <sup>(1)</sup> . . . . .	(1,235)	\$32	—	\$—	—	\$—
Outstanding at end of year . . . . .	<u>5,938</u>	\$30	<u>10,812</u>	\$ 24	<u>7,301</u>	\$ 21

- (1) The Employee transition amounts consist of restricted stock award activity for employees transitioning between Everett and Parent.

The total grant date fair value of restricted stock awards vested for Everett employees in fiscal 2015, 2014 and 2013 was \$213 million, \$81 million and \$87 million, respectively, net of taxes. As of October 31, 2015, total unrecognized pre-tax stock-based compensation expense related to non-vested restricted stock awards to Everett employees was \$129 million, which is expected to be recognized over the remaining weighted-average vesting period of 1.4 years.

*Stock Options*

Parent utilizes the Black-Scholes-Merton option pricing model to estimate the fair value of stock options subject to service-based vesting conditions. Parent estimates the fair value of stock options subject to performance-contingent vesting conditions using a combination of a Monte Carlo simulation model and a lattice model as these awards contain market conditions. The weighted-average fair value and the assumptions used to measure fair value were as follows:

	For the fiscal years ended October 31		
	2015	2014	2013
Weighted-average fair value <sup>(1)</sup> . . . . .	\$ 8	\$ 7	\$ 4
Expected volatility <sup>(2)</sup> . . . . .	26.8%	33.1%	41.7%
Risk-free interest rate <sup>(3)</sup> . . . . .	1.7%	1.8%	1.1%
Expected dividend yield <sup>(4)</sup> . . . . .	1.8%	2.1%	3.6%
Expected term in years <sup>(5)</sup> . . . . .	5.9	5.7	5.9

- (1) The weighted-average fair value was based on stock options granted during the period.  
(2) For awards granted in fiscal 2015 and fiscal 2013, expected volatility was estimated using the implied volatility derived from options traded on Hewlett-Packard Company's common stock. For awards granted in fiscal 2014, expected volatility for awards subject to service-based vesting was estimated using the implied

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**Notes to Combined Financial Statements (Continued)**

volatility derived from options traded on Hewlett-Packard Company's common stock, whereas for performance-contingent awards, expected volatility was estimated using the historical volatility of Hewlett-Packard Company's common stock.

- (3) The risk-free interest rate was estimated based on the yield on U.S. Treasury zero-coupon issues.
- (4) The expected dividend yield represents a constant dividend yield applied for the duration of the expected term of the award.
- (5) For awards subject to service-based vesting, the expected term was estimated using historical exercise and post-vesting termination patterns. For performance-contingent awards, the expected term represents an output from the lattice model.

A summary of stock option activity for Everett employees is as follows:

	Fiscal years ended October 31											
	2015				2014				2013			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	In thousands		In years	In millions	In thousands		In years	In millions	In thousands		In years	In millions
Outstanding at beginning of year . . . . .	7,600	\$27			9,705	\$ 27			9,353	\$ 30		
Granted . . . . .	1,372	\$37			1,875	\$ 28			3,291	\$ 15		
Exercised . . . . .	(1,412)	\$20			(1,206)	\$ 20			(605)	\$ 20		
Forfeited/cancelled/expired . . . . .	(2,206)	\$36			(2,774)	\$ 31			(2,334)	\$ 27		
Employee transition <sup>(1)</sup> . . . . .	(89)	\$ 1			—	\$—			—	\$—		
Outstanding at end of year . . . . .	<u>5,265</u>	\$27	5.5	\$16	<u>7,600</u>	\$ 27	4.7	\$82	<u>9,705</u>	\$ 27	3.6	\$31
Vested and expected to vest at end of year . . . . .	<u>5,033</u>	\$27	5.5	\$16	<u>7,097</u>	\$ 27	4.6	\$75	<u>9,194</u>	\$ 27	3.5	\$27
Exercisable at end of year . . . . .	<u>3,199</u>	\$26	5.0	\$13	<u>3,653</u>	\$ 32	2.8	\$26	<u>5,450</u>	\$ 34	1.9	\$ 1

- (1) Employee transition amounts consist of option activity for employees transitioning between Everett and Parent.

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value that Everett employee option holders would have realized had all Everett employee option holders exercised their options on the last trading day of fiscal 2015, 2014 and 2013. The aggregate intrinsic value is the difference between Parent's closing stock price on the last trading day of the fiscal year and the exercise price, multiplied by the number of in-the-money options. The total intrinsic value of options exercised by Everett employees in fiscal

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**Notes to Combined Financial Statements (Continued)**

2015, 2014 and 2013 was \$23 million, \$15 million and \$2 million, respectively. The total grant date fair value of options granted to Everett employees which vested in fiscal 2015, 2014 and 2013 was \$9 million, \$25 million and \$19 million, respectively, net of taxes.

The following table summarizes significant ranges of outstanding and exercisable stock options for Everett employees:

Range of Exercise Prices	As of October 31, 2015				
	Options Outstanding			Options Exercisable	
	Shares Outstanding	Weighted-Average Remaining Contractual Term	Weighted-Average Exercise Price	Shares Exercisable	Weighted-Average Exercise Price
	In thousands	In years		In thousands	
\$0-\$9.99	1	2.8	\$ 6	1	\$ 6
\$10-\$19.99	1,072	5.1	\$15	776	\$14
\$20-\$29.99	2,484	5.2	\$26	1,780	\$26
\$30-\$39.99	1,515	6.8	\$37	449	\$37
\$40-\$49.99	162	1.4	\$45	162	\$45
\$50-\$59.99	31	2.2	\$52	31	\$52
	<u>5,265</u>	5.5	\$27	<u>3,199</u>	\$26

As of October 31, 2015, total unrecognized pre-tax stock-based compensation expense related to stock options for Everett employees was \$9 million, which is expected to be recognized over the remaining weighted-average vesting period of 1.8 years.

*Employee Stock Purchase Plan*

Parent sponsors the ESPP, pursuant to which eligible employees may contribute up to 10% of their eligible compensation, subject to certain income limits, to purchase shares of Parent's common stock. Pursuant to the terms of the ESPP, employees purchase stock under the ESPP at a price equal to 95% of Parent's closing stock price on the purchase date. No stock-based compensation expense was recorded in connection with those purchases because the criteria of a non-compensatory plan were met.

**Note 6: Taxes on Earnings**

Everett's operating results are included in Parent's various consolidated U.S. federal and state income tax returns, as well as non-U.S. tax filings. For purposes of the Combined Financial Statements, (Provision) benefit for taxes and deferred tax balances have been recorded as if Everett filed tax returns on a standalone basis separate from Parent. The separate return method applies the accounting guidance for income taxes to the standalone financial statements as if Everett was a separate taxpayer and a standalone enterprise for the periods presented.

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**Notes to Combined Financial Statements (Continued)**

*Provision for Taxes*

The domestic and foreign components of loss before taxes were as follows:

	<b>For the fiscal years ended October 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
		<b>In millions</b>	
U.S. ....	\$ (747)	\$ (196)	\$ (219)
Non-U.S. ....	(799)	(1,330)	(1,000)
	<u>\$ (1,546)</u>	<u>\$ (1,526)</u>	<u>\$ (1,219)</u>

The provision (benefit) for taxes were as follows:

	<b>For the fiscal years ended October 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
		<b>In millions</b>	
U.S. federal taxes:			
Current .....	\$(173)	\$(209)	\$188
Deferred .....	—	—	—
Non-U.S. taxes:			
Current .....	45	41	94
Deferred .....	482	35	150
State taxes:			
Current .....	(15)	15	1
Deferred .....	—	—	—
	<u>\$ 339</u>	<u>\$(118)</u>	<u>\$433</u>

The differences between the U.S. federal statutory income tax rate and Everett's effective tax rate were as follows:

	<b>For the fiscal years ended October 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
U.S. federal statutory income tax rate .....	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit .....	1.6%	1.8%	2.2%
Differing rates in other jurisdictions, net .....	7.6%	1.2%	(18.5)%
Valuation allowance (includes losses not benefitted) ...	(69.1)%	(35.1)%	(39.2)%
Uncertain tax positions .....	1.8%	2.1%	(10.6)%
Other, net .....	1.1%	2.8%	(4.5)%
	<u>(22.0)%</u>	<u>7.8%</u>	<u>(35.6)%</u>

Everett has not provided U.S. taxes for all foreign earnings because Everett plans to reinvest some of those earnings indefinitely outside the U.S.

In fiscal 2015, Everett recorded \$48 million of net income tax charges related to items unique to that year. These amounts primarily included \$486 million of tax charges to record valuation allowances on certain foreign deferred tax assets, the effects of which were partially offset by \$277 million of income tax benefits related to

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**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**

**Notes to Combined Financial Statements (Continued)**

restructuring, separation and asset impairment related costs, \$123 million of income tax benefits related to uncertain tax positions and \$38 million of income tax benefits related to state tax impacts and other items.

In fiscal 2014, Everett recorded \$296 million of net income tax benefits related to items unique to the year. These amounts included \$181 million of income tax benefits related to restructuring costs, \$37 million of income tax benefits related to provision to return adjustments, \$36 million of income tax benefits related to state tax rate changes and \$26 million of income tax benefits for adjustments related to uncertain tax positions.

In fiscal 2013, Everett recorded \$58 million of net income tax charges related to items unique to that year. These amounts included \$129 million of income tax charges for adjustments related to uncertain tax positions, partially offset by \$59 million of income tax benefits related to restructuring costs.

*Uncertain Tax Positions*

A reconciliation of unrecognized tax benefits is as follows:

	As of October 31		
	2015	2014	2013
	In millions		
Balance at beginning of year . . . . .	\$ 426	\$412	\$172
Increases:			
For current year's tax positions . . . . .	18	57	67
For prior years' tax positions . . . . .	45	112	230
Decreases:			
For prior years' tax positions . . . . .	(155)	(77)	(22)
Statute of limitations expiration . . . . .	(3)	(28)	(2)
Settlements with taxing authorities . . . . .	(15)	(50)	(33)
Balance at end of year . . . . .	<u>\$ 316</u>	<u>\$426</u>	<u>\$412</u>

Up to \$214 million, \$366 million and \$389 million of Everett's unrecognized tax benefits at October 31, 2015, 2014 and 2013, respectively, would affect Everett's effective tax rate if realized.

Everett recognizes interest income from favorable settlements and interest expense and penalties accrued on unrecognized tax benefits in (Provision) benefit for taxes in the Combined Statements of Operations. Everett had accrued \$82 million and \$42 million for interest and penalties as of October 31, 2015 and 2014, respectively.

For the periods presented, the unrecognized tax benefits reflected in the Combined Financial Statements have been determined using the separate return method. Parent engages in continuous discussion and negotiation with taxing authorities regarding tax matters in various jurisdictions. Parent does not expect complete resolution of any U.S. Internal Revenue Service ("IRS") audit cycle within the next 12 months. However, it is reasonably possible that certain federal, foreign and state tax issues may be concluded in the next 12 months, including issues involving transfer pricing and other matters. Accordingly, Everett believes it is reasonably possible that its existing unrecognized tax benefits may be reduced by an amount up to \$44 million within the next 12 months.

Everett is subject to income tax in the U.S. and approximately 105 other countries and is subject to routine corporate income tax audits in many of these jurisdictions.



**EVERETT SPINCO, INC.**

**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**

**Notes to Combined Financial Statements (Continued)**

Revenue Agent Reports have been received for tax years 2005-2008 related to Everett's U.S. group of subsidiaries providing enterprise services proposing total tax deficiencies of \$336 million. Parent is contesting certain of these issues. The IRS is conducting an audit of the 2010, 2011 and 2012 income tax returns for Everett's U.S. group of subsidiaries providing enterprise services.

Everett believes it has provided adequate reserves for all tax deficiencies or reductions in tax benefits that could result from federal, state and foreign tax audits. Everett regularly assesses the likely outcomes of these audits in order to determine the appropriateness of Everett's tax provision. Everett adjusts its uncertain tax positions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular audit. However, income tax audits are inherently unpredictable and there can be no assurance that Everett will accurately predict the outcome of these audits. The amounts ultimately paid on resolution of an audit could be materially different from the amounts previously included in the (Provision) benefit for taxes in the Combined Statements of Operations and therefore the resolution of one or more of these uncertainties in any particular period could have a material impact on net earnings or cash flows.

Everett has not provided for U.S. federal income and foreign withholding taxes on \$12.6 billion of undistributed earnings from non-U.S. operations as of October 31, 2015 because Everett intends to reinvest such earnings indefinitely outside of the U.S. If Everett were to distribute these earnings, foreign tax credits may become available under current law to reduce the resulting U.S. income tax liability. Determination of the amount of unrecognized deferred tax liability related to these earnings is not practicable.

*Deferred Income Taxes*

Deferred income taxes result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. For purposes of the Combined Balance Sheets, deferred tax balances and tax carryforwards and credits have been recorded under the separate return method. The significant components of deferred tax assets and deferred tax liabilities were as follows:

	As of October 31			
	2015		2014	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
	In millions			
Loss and credit carryforwards . . . . .	\$ 159	\$ —	\$ 195	\$ —
Unremitted earnings of foreign subsidiaries . . . . .	—	(27)	—	(5)
Intercompany transactions—profit in inventory . . . . .	22	—	20	—
Fixed assets . . . . .	162	(39)	131	(21)
Employee and retiree benefits . . . . .	600	(15)	2,099	(27)
Intangible assets . . . . .	83	—	17	(111)
Restructuring . . . . .	195	—	242	—
Deferred revenue . . . . .	123	(5)	77	(12)
Other . . . . .	48	(137)	132	(120)
Gross deferred tax assets and liabilities . . . . .	1,392	(223)	2,913	(296)
Valuation allowance . . . . .	(1,068)	—	(2,342)	—
Net deferred tax assets and liabilities . . . . .	<u>\$ 324</u>	<u>\$(223)</u>	<u>\$ 571</u>	<u>\$(296)</u>

**EVERETT SPINCO, INC.**

**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**

**Notes to Combined Financial Statements (Continued)**

In the first quarter of fiscal 2016, Everett adopted the amendment to the existing accounting standards for income taxes issued by the FASB in November 2015, and elected to apply it on a retrospective basis. As a result, all of Everett's deferred tax assets and liabilities are classified as noncurrent as of January 31, 2016 and retrospectively as of October 31, 2015 and 2014. See Note 1, "Overview and Summary of Significant Accounting Policies," for more details.

Deferred tax assets and liabilities included in the Combined Balance Sheets were as follows:

	<b>As of October 31</b>	
	<b>2015</b>	<b>2014</b>
	<b>In millions</b>	
Long-term deferred tax assets . . . . .	\$132	\$336
Long-term deferred tax liabilities . . . . .	(31)	(61)
Deferred tax assets net of deferred tax liabilities . . . . .	<u>\$101</u>	<u>\$275</u>

As of October 31, 2015, Everett had \$21 million and \$801 million of state and foreign net operating loss carryforwards, respectively. Amounts included in state and foreign net operating loss carryforwards will begin to expire in 2016. Everett has provided a valuation allowance of \$154 million for deferred tax assets related to foreign net operating loss carryforwards.

As of October 31, 2015, Everett had recorded deferred tax assets for various tax credit carryforwards as follows:

	<b>Carryforward</b>	<b>Valuation Allowance</b>	<b>Initial Year of Expiration</b>
	<b>In millions</b>		
Tax credits in state jurisdictions . . . . .	<u>\$4</u>	<u>\$2</u>	2016

*Deferred Tax Asset Valuation Allowance*

The deferred tax asset valuation allowance and changes were as follows:

	<b>As of October 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>In millions</b>		
Balance at beginning of year . . . . .	\$ 2,342	\$1,852	\$2,045
Income tax expense . . . . .	314	82	163
Other comprehensive income, currency translation and charges to other accounts . . .	(1,588)	408	(356)
Balance at end of year . . . . .	<u>\$ 1,068</u>	<u>\$2,342</u>	<u>\$1,852</u>

Total valuation allowances decreased by \$1.274 billion in fiscal year 2015 primarily due to the October 2015 transfer to former Parent of deferred tax assets related to U.S. defined benefit plans and the corresponding valuation allowances. Total valuation allowances increased by \$490 million in fiscal year 2014 primarily due to valuation allowances recorded on deferred tax assets related to U.S. defined benefit plan balances.

EVERETT SPINCO, INC.

THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY

Notes to Combined Financial Statements (Continued)

**Note 7: Balance Sheet Details**

Balance sheet details were as follows:

*Accounts Receivable*

	<u>As of October 31</u>	
	<u>2015</u>	<u>2014</u>
	<u>In millions</u>	
Accounts receivable, billed . . . . .	\$2,352	\$2,752
Unbilled receivables . . . . .	1,074	1,043
Accounts receivable, gross . . . . .	3,426	3,795
Allowance for doubtful accounts . . . . .	(30)	(45)
	<u>\$3,396</u>	<u>\$3,750</u>

The allowance for doubtful accounts related to accounts receivable and changes therein were as follows:

	<u>As of October 31</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
	<u>In millions</u>		
Balance at beginning of year . . . . .	\$ 45	\$ 65	\$ 99
Provision for doubtful accounts . . . . .	(1)	28	29
Deductions, net of recoveries . . . . .	(14)	(48)	(63)
Balance at end of year . . . . .	<u>\$ 30</u>	<u>\$ 45</u>	<u>\$ 65</u>

*Other Current Assets*

	<u>As of October 31</u>	
	<u>2015</u>	<u>2014</u>
	<u>In millions</u>	
Value-added taxes receivable . . . . .	\$ 464	\$ 434
Deferred contract costs . . . . .	555	581
Prepaid expenses . . . . .	403	445
Income taxes receivable . . . . .	252	444
Inventory, net . . . . .	49	42
Other . . . . .	145	131
	<u>\$1,868</u>	<u>\$2,077</u>

**EVERETT SPINCO, INC.**

**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**

**Notes to Combined Financial Statements (Continued)**

*Property, Plant and Equipment*

	<b>As of October 31</b>	
	<b>2015</b>	<b>2014</b>
	<b>In millions</b>	
Land .....	\$ 151	\$ 200
Buildings and leasehold improvements .....	3,459	2,892
Machinery, equipment and furniture .....	6,738	6,129
	<u>10,348</u>	<u>9,221</u>
Accumulated depreciation .....	(5,861)	(4,993)
	<u>\$ 4,487</u>	<u>\$ 4,228</u>

The gross property, plant and equipment and accumulated depreciation presented in the above table include property under capital leases and the related accumulated amortization, respectively. Property under capital leases is comprised primarily of equipment and furniture. Capital lease assets included in Property, plant and equipment in the Combined Balance Sheets were \$3.8 billion and \$4.1 billion as of October 31, 2015 and 2014, respectively. Accumulated amortization on the property under capital leases was \$2.1 billion and \$2.0 billion as of October 31, 2015 and 2014, respectively.

Depreciation expense was \$1.3 billion in fiscal 2015, \$1.5 billion for fiscal 2014 and \$1.5 billion for fiscal 2013. The change in gross property, plant and equipment in fiscal 2015 was due primarily to transfers from Parent of \$1.7 billion, purchases of \$0.2 billion and acquisitions through capital leases of \$0.8 billion, the effects of which were partially offset by sales and retirements totaling \$1.6 billion. In fiscal 2015, accumulated depreciation associated with the assets transferred from Parent was \$1.0 billion and with assets sold and retired was \$1.5 billion. The fiscal 2015 change in accumulated depreciation also reflects a \$136 million charge to Impairment of data center assets on the Combined Statements of Operations resulting from Everett's exit from several data centers.

*Other Assets*

	<b>As of October 31</b>	
	<b>2015</b>	<b>2014</b>
	<b>In millions</b>	
Deferred tax assets .....	\$ 132	\$ 336
Deferred costs—long-term .....	709	717
Other .....	867	573
	<u>\$1,708</u>	<u>\$1,626</u>

EVERETT SPINCO, INC.

THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY

Notes to Combined Financial Statements (Continued)

*Other Accrued Liabilities*

	As of October 31	
	2015	2014
	In millions	
Accrued subcontractor costs	\$ 441	\$ 481
Accrued taxes—other	441	476
Other	509	621
	<u>\$1,391</u>	<u>\$1,578</u>

*Other Liabilities*

	As of October 31	
	2015	2014
	In millions	
Pension liabilities	\$2,044	\$2,569
Deferred revenue—long-term	1,009	627
Deferred tax liability—long-term	31	61
Tax liability—long-term	182	135
Other long-term liabilities	264	272
	<u>\$3,530</u>	<u>\$3,664</u>

**Note 8: Financing Receivables**

Financing receivables represent sales-type and direct-financing leases of HPE and third-party products. These receivables typically have terms ranging from two to five years and are usually collateralized by a security interest in the underlying assets. The components of financing receivables were as follows:

	As of October 31	
	2015	2014
	In millions	
Minimum lease payments receivable	\$ 496	\$ 348
Unearned income	(52)	(37)
Financing receivables, net	444	311
Less: current portion <sup>(1)</sup>	(151)	(116)
Amounts due after one year, net <sup>(1)</sup>	<u>\$ 293</u>	<u>\$ 195</u>

(1) Everett includes the current portion in Financing receivables and amounts due after one year, net in Long-term financing receivables in the accompanying Combined Balance Sheets.

As of October 31, 2015, scheduled maturities of Everett's minimum lease payments receivable were as follows:

	2016	2017	2018	2019	2020	Thereafter	Total
	In millions						
Scheduled maturities of minimum lease payments receivable	<u>\$175</u>	<u>\$133</u>	<u>\$92</u>	<u>\$62</u>	<u>\$32</u>	<u>\$2</u>	<u>\$496</u>

**EVERETT SPINCO, INC.**

**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**

**Notes to Combined Financial Statements (Continued)**

*Credit Quality*

Due to the homogenous nature of its leasing transactions, Everett manages its financing receivables on an aggregate basis when assessing and monitoring credit risk. Credit risk is generally diversified due to the large number of entities comprising Everett's customer base and their dispersion across many different industries and geographic regions. Everett evaluates the credit quality of an obligor at lease inception and monitors that credit quality over the term of a transaction.

**Note 9: Intangible Assets**

Intangible assets were as follows:

	<u>As of October 31, 2015</u>			<u>As of October 31, 2014</u>		
	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net</u>
	<b>In millions</b>					
Customer contracts, customer lists and distribution agreements .....	<u>\$3,196</u>	<u>\$(2,866)</u>	<u>\$330</u>	<u>\$3,196</u>	<u>\$(2,467)</u>	<u>\$729</u>

As of October 31, 2015, the weighted-average remaining useful life of finite-lived intangible assets was as follows:

	<u>Weighted-Average Remaining Useful Life</u>
	<b>In years</b>
Customer contracts, customer lists and distribution agreements .....	1

As of October 31, 2015, estimated future amortization expense related to finite-lived intangible assets was as follows:

<u>Fiscal year</u>	<u>In millions</u>
2016 .....	<u>\$330</u>

**Note 10: Fair Value**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date.

*Fair Value Hierarchy*

Everett uses valuation techniques that are based upon observable and unobservable inputs. Observable inputs are developed using market data such as publicly available information and reflect the assumptions market participants would use, while unobservable inputs are developed using the best information available about the assumptions market participants would use. Assets and liabilities are classified in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**EVERETT SPINCO, INC.**

**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**

**Notes to Combined Financial Statements (Continued)**

Level 2—Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3—Unobservable inputs for the asset or liability.

The fair value hierarchy gives the highest priority to observable inputs and lowest priority to unobservable inputs.

The following table presents Everett's assets and liabilities that are measured at fair value on a recurring basis:

	As of October 31, 2015				As of October 31, 2014			
	Fair Value Measured Using				Fair Value Measured Using			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	In millions							
<b>Assets</b>								
Cash Equivalents and Investments:								
Time deposits . . . . .	\$—	\$ 18	\$—	\$ 18	\$—	\$ 29	\$—	\$ 29
Money market funds . . . . .	47	—	—	47	48	—	—	48
Marketable equity securities . . . . .	6	1	—	7	8	—	—	8
Foreign bonds . . . . .	8	113	—	121	5	102	—	107
Other debt securities . . . . .	—	—	8	8	—	—	10	10
Derivative Instruments:								
Foreign exchange contracts . . . . .	—	65	—	65	—	65	—	65
Total assets . . . . .	<u>\$ 61</u>	<u>\$197</u>	<u>\$ 8</u>	<u>\$266</u>	<u>\$ 61</u>	<u>\$196</u>	<u>\$ 10</u>	<u>\$267</u>
<b>Liabilities</b>								
Derivative Instruments:								
Foreign exchange contracts . . . . .	<u>\$—</u>	<u>\$ 16</u>	<u>\$—</u>	<u>\$ 16</u>	<u>\$—</u>	<u>\$ 6</u>	<u>\$—</u>	<u>\$ 6</u>
Total liabilities . . . . .	<u>\$—</u>	<u>\$ 16</u>	<u>\$—</u>	<u>\$ 16</u>	<u>\$—</u>	<u>\$ 6</u>	<u>\$—</u>	<u>\$ 6</u>

For each of the years ended October 31, 2015 and 2014, there were no material transfers between levels within the fair value hierarchy.

*Valuation Techniques*

Cash Equivalents and Investments: Everett holds time deposits, money market funds, and other debt securities primarily consisting of corporate and foreign government notes and bonds, and common stock and equivalents. Everett values cash equivalents and equity investments using quoted market prices, alternative pricing sources, including NAV, or models utilizing market observable inputs. The fair value of debt investments was based on quoted market prices or model-driven valuations using inputs primarily derived from or corroborated by observable market data and, in certain instances, valuation models that utilize assumptions which cannot be corroborated with observable market data. Investments are included in the Combined Balance Sheets as components of Other current assets and Other assets.

Derivative Instruments: Everett uses forward contracts, interest rate and total return swaps to hedge certain foreign currency and interest rate exposures. Everett uses industry standard valuation models to measure fair

**EVERETT SPINCO, INC.**

**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**

**Notes to Combined Financial Statements (Continued)**

value. Where applicable, these models project future cash flows and discount the future amounts to present value using market-based observable inputs, including interest rate curves, Everett and counterparty credit risk, foreign exchange rates, and forward and spot prices for currencies and interest rates. See Note 11, "Financial Instruments," for a further discussion of Everett's use of derivative instruments.

*Other Fair Value Disclosures*

**Short- and Long-Term Debt:** Everett estimates the fair value of its debt primarily using an expected present value technique, which is based on observable market inputs using interest rates currently available to companies of similar credit standing to Parent for similar terms and remaining maturities, and considering Parent's credit risk. The estimated fair value of Everett's short- and long-term debt was \$502 million and \$522 million at October 31, 2015 and 2014, respectively, as compared with the carrying value of \$446 million and \$459 million, respectively. If measured at fair value in the Combined Balance Sheets, short- and long-term debt would be classified in Level 2 of the fair value hierarchy.

**Other Financial Instruments:** For the balance of Everett's financial instruments, primarily accounts receivable, accounts payable and financial liabilities included in Other accrued liabilities, the carrying amounts approximate fair value due to their short maturities. If measured at fair value in the Combined Balance Sheets, these other financial instruments would be classified in Level 2 or Level 3 of the fair value hierarchy.

**Non-Marketable Equity Investments and Non-Financial Assets:** Everett's non-marketable equity investments and non-financial assets, such as intangible assets, and property, plant and equipment, are recorded at fair value in the period an impairment charge is recognized. If measured at fair value in the Combined Balance Sheets, these would generally be classified in Level 3 of the fair value hierarchy. In fiscal 2015, Everett determined that it would exit certain data centers. Everett conducted an analysis of the respective asset group to determine if the carrying value was greater than the fair value. As a result of this assessment, Everett recorded a \$136 million charge to Impairment of data center assets on the Combined Statements of Operations.



EVERETT SPINCO, INC.

THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY

Notes to Combined Financial Statements (Continued)

**Note 11: Financial Instruments**

*Cash Equivalents and Available-for-Sale Investments*

Cash equivalents and available-for-sale investments were as follows:

	As of October 31, 2015				As of October 31, 2014			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	In millions							
<b>Cash Equivalents:</b>								
Time deposits	\$ 12	\$—	\$—	\$ 12	\$ 17	\$—	\$—	\$ 17
Money market funds	47	—	—	47	48	—	—	48
Total cash equivalents	59	—	—	59	65	—	—	65
<b>Available-for-Sale Investments:</b>								
Debt securities:								
Time deposits	6	—	—	6	12	—	—	12
Foreign bonds	91	30	—	121	81	26	—	107
Other debt securities	8	—	—	8	10	—	—	10
Total debt securities	105	30	—	135	103	26	—	129
Equity securities:								
Equity securities in public companies	4	3	—	7	5	3	—	8
Total equity securities	4	3	—	7	5	3	—	8
Total available-for-sale investments	109	33	—	142	108	29	—	137
Total cash equivalents and available-for-sale investments	\$168	\$ 33	\$—	\$201	\$173	\$ 29	\$—	\$202

All highly liquid investments with original maturities of three months or less at the date of acquisition are considered cash equivalents. As of October 31, 2015 and 2014, the carrying amount of cash equivalents approximated fair value due to the short period of time to maturity. Interest income related to cash, cash equivalents and debt securities was immaterial in fiscal 2015, \$2 million in fiscal 2014 and \$4 million in fiscal 2013. Time deposits were primarily issued by institutions outside the U.S. as of October 31, 2015 and 2014. The estimated fair value of the available-for-sale investments may not be representative of values that will be realized in the future.

Contractual maturities of investments in available-for-sale debt securities were as follows:

	As of October 31, 2015	
	Amortized Cost	Fair Value
	In millions	
Due in one year	\$ 5	\$ 5
Due in one to five years	1	1
Due in more than five years	99	129
	<u>\$105</u>	<u>\$135</u>

## EVERETT SPINCO, INC.

### THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY

#### Notes to Combined Financial Statements (Continued)

Equity securities in privately held companies include cost basis investments of \$1 million at October 31, 2015 and cost basis and equity method investments totaling \$31 million at October 31, 2014. Equity securities are included in Other assets in the Combined Balance Sheets.

#### *Derivative Instruments*

Everett is a global company exposed to foreign currency exchange rate fluctuations and interest rate changes in the normal course of its business. As part of its risk management strategy, Everett uses derivative instruments, primarily forward contracts, interest rate swaps and total return swaps to hedge certain foreign currency, interest rate and, to a lesser extent, equity exposures. Everett's objective is to offset gains and losses resulting from these exposures with losses and gains on the derivative contracts used to hedge them, thereby reducing volatility of earnings or protecting the fair value of assets and liabilities. Everett does not have any leveraged derivatives and does not use derivative contracts for speculative purposes. Everett may designate its derivative contracts as fair value hedges or cash flow hedges. Additionally, for derivatives not designated as hedging instruments, Everett categorizes those economic hedges as other derivatives. Derivative instruments directly attributable to Everett are recognized at fair value in the Combined Balance Sheets. The change in fair value of the derivative instruments is recognized in the Combined Statements of Operations or Combined Statements of Comprehensive Loss dependent upon the type of hedge as further discussed below. Everett classifies cash flows from its derivative programs with the activities that correspond to the underlying hedged items in the Combined Statements of Cash Flows.

As a result of its use of derivative instruments, Everett is exposed to the risk that its counterparties will fail to meet their contractual obligations. To mitigate counterparty credit risk, Everett has a policy of only entering into derivative contracts with carefully selected major financial institutions based on their credit ratings and other factors, and Everett maintains dollar risk limits that correspond to each financial institution's credit rating and other factors. Everett's established policies and procedures for mitigating credit risk include reviewing and establishing limits for credit exposure and periodically reassessing the creditworthiness of its counterparties. Everett participates in Parent's master netting agreements, which further mitigates credit exposure to counterparties by permitting Everett to net amounts due from Everett to a counterparty against amounts due to Everett from the same counterparty under certain conditions.

To further mitigate credit exposure to counterparties, Everett participates in Parent's collateral security agreements, which allow Everett to hold collateral from, or require Everett to post collateral to, counterparties when aggregate derivative fair values exceed contractually established thresholds which are generally based on the credit ratings of Parent and its counterparties. If Parent's credit rating falls below a specified credit rating, the counterparty has the right to request full collateralization of the derivatives' net liability position. Conversely, if the counterparty's credit rating falls below a specified credit rating, the Parent has the right to request full collateralization of the derivatives' net liability position. Collateral is generally posted within two business days.

Under Everett's derivative contracts, the counterparty can terminate all outstanding trades following a covered change of control event affecting Parent that results in the surviving entity being rated below a specified credit rating. This credit contingent provision did not affect Everett's financial position or cash flows as of October 31, 2015 and 2014.

#### *Cash Flow Hedges*

Everett uses forward contracts designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in its forecasted net revenue and, to a lesser extent, cost of revenue, operating

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**Notes to Combined Financial Statements (Continued)**

expenses and intercompany loans denominated in currencies other than the U.S. dollar. Everett's foreign currency cash flow hedges mature generally within twelve months; however, forward contracts associated with intercompany loans extend for the duration of the loan term, which typically range from two to five years.

For derivative instruments that are designated and qualify as cash flow hedges, Everett initially records changes in fair value for the effective portion of the derivative instrument in Accumulated other comprehensive loss as a separate component of equity in the Combined Balance Sheets and subsequently reclassifies these amounts into earnings in the period during which the hedged transaction is recognized in earnings. Everett reports the effective portion of its cash flow hedges in the same financial statement line item as changes in the fair value of the hedged item.

*Other Derivatives*

Other derivatives not designated as hedging instruments consist primarily of forward contracts used to hedge foreign currency-denominated balance sheet exposures. Everett also uses total return swaps and, to a lesser extent, interest rate swaps, based on equity or fixed income indices, to hedge its executive deferred compensation plan liability.

For derivative instruments not designated as hedging instruments, Everett recognizes changes in fair value of the derivative instrument, as well as the offsetting change in the fair value of the hedged item, in Interest and other, net, in the Combined Statements of Operations in the period of change.

*Hedge Effectiveness*

For forward contracts designated as cash flow hedges, Everett measures hedge effectiveness by comparing the cumulative change in fair value of the hedge contract with the cumulative change in fair value of the hedged item, both of which are based on forward rates. For interest rate swaps designated as fair value hedges, Everett measures hedge effectiveness by offsetting the change in fair value of the hedged instrument with the change in fair value of the derivative. Everett recognizes any ineffective portion of the hedge in the Combined Statements of Operations in the same period in which ineffectiveness occurs. Amounts excluded from the assessment of effectiveness are recognized in the Combined Statements of Operations in the period they arise.

EVERETT SPINCO, INC.

THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY

Notes to Combined Financial Statements (Continued)

*Fair Value of Derivative Instruments in the Combined Balance Sheets*

The gross notional and fair value of derivative instruments in the Combined Balance Sheets was as follows:

	As of October 31, 2015					As of October 31, 2014				
	Fair Value					Fair Value				
	Outstanding Gross Notional	Other Current Assets	Other Assets	Other Accrued Liabilities	Long-Term Other Liabilities	Outstanding Gross Notional	Other Current Assets	Other Assets	Other Accrued Liabilities	Long-Term Other Liabilities
In millions										
Derivatives designated as hedging instruments										
Cash flow hedges:										
Foreign currency contracts .....	\$1,913	\$ 57	\$ 8	\$ 13	\$ 3	\$1,588	\$ 56	\$ 9	\$ 5	\$ 1
Total derivatives designated as hedging instruments .....	1,913	57	8	13	3	1,588	56	9	5	1
Derivatives not designated as hedging instruments										
Other derivatives .....	17	—	—	—	—	8	—	—	—	—
Total derivatives not designated as hedging instruments .....	17	—	—	—	—	8	—	—	—	—
Total derivatives .....	\$1,930	\$ 57	\$ 8	\$ 13	\$ 3	\$1,596	\$ 56	\$ 9	\$ 5	\$ 1

*Offsetting of Derivative Instruments*

Everett recognizes all derivative instruments on a gross basis in the Combined Balance Sheets. Everett participates in Parent's master netting arrangements and collateral security arrangements. Everett does not offset the fair value of its derivative instruments against the fair value of cash collateral posted under Parent's collateral security agreements. As of October 31, 2015 and 2014, information related to the potential effect of Everett's use of Parent's master netting agreements and collateral security agreements was as follows:

	As of October 31, 2015				
	In the Combined Balance Sheets				
	(i) Gross Amount Recognized	(ii) Gross Amount Offset	(iii) = (i)-(ii) Net Amount Presented	(iv) Gross Amounts Not Offset	(v) = (iii)-(iv) Net Amount
In millions					
Derivative assets .....	\$65	\$—	\$65	\$13	\$52
Derivative liabilities .....	\$16	\$—	\$16	\$13	\$ 3
	As of October 31, 2014				
	In the Combined Balance Sheets				
	(i) Gross Amount Recognized	(ii) Gross Amount Offset	(iii) = (i)-(ii) Net Amount Presented	(iv) Gross Amounts Not Offset	(v) = (iii)-(iv) Net Amount
In millions					
Derivative assets .....	\$65	\$—	\$65	\$5	\$60
Derivative liabilities .....	\$ 6	\$—	\$ 6	\$5	\$ 1

EVERETT SPINCO, INC.

THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY

Notes to Combined Financial Statements (Continued)

*Effect of Derivative Instruments on the Combined Statements of Operations*

The pre-tax effect of derivative instruments and related hedged items in a fair value hedging relationship for fiscal years ended October 31, 2015, 2014 and 2013, was as follows:

Derivative Instrument	(Losses) Gains Recognized in Income on Derivative and Related Hedged Item								
	Location	2015	2014	2013	Hedged Item	Location	2015	2014	2013
	In millions			In millions			In millions		
Interest rate contracts . . . . .	Interest and other, net	\$—	\$—	\$(28)	Fixed-rate debt	Interest and other, net	\$—	\$—	\$28

The pre-tax effect of derivative instruments in cash flow hedging relationships for fiscal years ended October 31, 2015, 2014 and 2013 was as follows:

	Gains (Losses) Recognized in OCI on Derivatives (Effective Portion)			Gains (Losses) Reclassified from Accumulated OCI Into Earnings (Effective Portion)			
	2015	2014	2013	Location	2015	2014	2013
	In millions				In millions		
Cash flow hedges:							
Foreign currency contracts ..	\$111	\$48	\$ 16	Net revenue	\$112	\$(22)	\$ 7
Foreign currency contracts ..	(3)	13	(4)	Cost of revenue	6	3	(1)
Foreign currency contracts ..	—	12	(27)	Other operating expenses	1	(10)	(6)
Total currency hedges .....	\$108	\$73	\$(15)		\$119	\$(29)	\$—

As of October 31, 2015, 2014 and 2013, no portion of the hedging instruments' gain or loss was excluded from the assessment of effectiveness for fair value or cash flow hedges. Hedge ineffectiveness for fair value and cash flow hedges was not material for fiscal 2015, 2014 and 2013.

As of October 31, 2015, Everett expects to reclassify an estimated net Accumulated other comprehensive gain of approximately \$43 million, net of taxes, to earnings in the next twelve months along with the earnings effects of the related forecasted transactions associated with cash flow hedges.

The pre-tax effect of derivative instruments not designated as hedging instruments on the Combined Statements of Operations for fiscal years ended October 31, 2015, 2014 and 2013 was as follows:

	Gains Recognized in Income on Derivatives			
	Location	2015	2014	2013
	In millions			
Foreign currency contracts . . . . .	Interest and other, net	\$—	\$—	\$3
Interest rate contracts . . . . .	Interest and other, net	—	—	3
Total . . . . .		<u>\$—</u>	<u>\$—</u>	<u>\$6</u>

EVERETT SPINCO, INC.

THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY

Notes to Combined Financial Statements (Continued)

**Note 12: Borrowings and Capital Lease Obligations**

*Notes Payable and Short-Term Borrowings*

Notes payable and short-term borrowings, including the current portion of long-term debt, were as follows:

	As of October 31			
	2015		2014	
	Amount Outstanding	Weighted-Average Interest Rate	Amount Outstanding	Weighted-Average Interest Rate
	Dollars in millions			
Current portion of long-term debt .....	\$48	4.3%	\$24	4.0%
Notes payable to banks .....	<u>1</u>	1.5%	<u>1</u>	1.5%
Total notes payable and short-term borrowings .....	<u>\$49</u>		<u>\$25</u>	

*Long-Term Debt*

	As of October 31	
	2015	2014
	In millions	
EDS Senior Notes <sup>(1)</sup>		
\$300 issued October 1999 at 7.45%, due October 2029 .....	\$313	\$313
Other, at 0.00%-7.45%, due in calendar years 2016—2023 .....	132	145
Less: current portion .....	<u>(48)</u>	<u>(24)</u>
	<u>\$397</u>	<u>\$434</u>

- (1) Everett may redeem the EDS senior notes at any time in accordance with the terms thereof. The EDS senior notes are senior unsecured debt.

Interest expense on borrowings recognized in the Combined Statements of Operations was as follows:

Expense	Location	Fiscal years ended October 31		
		2015	2014	2013
		In millions		
Interest expense .....	Interest and other, net .....	<u>\$20</u>	<u>\$20</u>	<u>\$58</u>

**EVERETT SPINCO, INC.**  
**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**  
**Notes to Combined Financial Statements (Continued)**

*Future Maturities of Long-Term Debt*

As of October 31, 2015, aggregate future maturities of Everett's long-term debt at face value (excluding a premium on debt issuance of \$13 million) were as follows:

<u>Fiscal year</u>	<u>In millions</u>
2016 .....	\$ 48
2017 .....	—
2018 .....	—
2019 .....	26
2020 .....	—
Thereafter .....	358
Total .....	<u>\$432</u>

*Capital Lease Obligations*

Capital lease obligations primarily consist of contractual arrangements with Parent's wholly-owned subsidiary, HPE Financial Services. As of October 31, 2015, future principal payments under capital leases were as follows:

<u>Fiscal year</u>	<u>In millions</u>
2016 .....	\$1,052
2017 .....	744
2018 .....	489
2019 .....	270
2020 .....	69
Thereafter .....	7
Total minimum lease payments .....	<u>2,631</u>
Less: amount representing interest .....	<u>(243)</u>
Present value of minimum lease payments .....	<u>2,388</u>
Less: current portion .....	<u>(799)</u>
Long-term portion .....	<u>\$1,589</u>

**Note 13: Related Party Transactions and Parent Company Investment**

*Intercompany Revenue and Purchases*

During fiscal 2015, Everett sold services to other businesses of Parent in the amount of \$24 million. Everett did not sell services to other businesses of Parent in fiscal 2014 or fiscal 2013.

During fiscal 2015, 2014 and 2013, Everett purchased products and services from other businesses of Parent in the amount of \$770 million, \$864 million and \$939 million, respectively. These intercompany purchases exclude leases with Parent's wholly-owned leasing subsidiary, which are discussed in Note 1, "Overview and Summary of Significant Accounting Policies," and Note 12, "Borrowings and Capital Lease Obligations."

**EVERETT SPINCO, INC.**

**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**

**Notes to Combined Financial Statements (Continued)**

*Allocation of Corporate Expenses*

The Combined Statements of Operations and Comprehensive Loss include an allocation of general corporate expenses from Parent for certain management and support functions which are provided on a centralized basis within Parent. These management and support functions include, but are not limited to, executive management, finance, legal, information technology, employee benefits administration, treasury, risk management, procurement and other shared services. These allocations were made on a direct usage basis when identifiable, with the remainder allocated on the basis of revenue, expenses, headcount or other relevant measures. These allocations were \$1.7 billion, \$1.9 billion and \$1.9 billion in each of fiscal 2015, 2014, and 2013, respectively.

Management of Everett and Parent consider these allocations to be a reasonable reflection of the utilization of services by, or the benefits provided to, Everett. These allocations may not, however, reflect the expense Everett would have incurred as a standalone company for the periods presented. Actual costs that may have been incurred if Everett had been a standalone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

*Parent Company Investment*

Parent company investment on the Combined Balance Sheets and Statements of Equity represents Parent's historical investment in Everett, the net effect of transactions with and allocations from Parent and Everett's accumulated earnings.

*Net Transfers from Parent*

Net transfers from Parent are included within Parent company investment. The components of the Net transfers from Parent on the Combined Statements of Equity for all periods presented were as follows:

	<b>Fiscal years ended October 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>In millions</b>		
Intercompany revenue . . . . .	\$ (24)	\$ —	\$ —
Intercompany purchases . . . . .	770	864	939
Cash pooling and general financing activities . . . . .	(1,713)	(1,489)	(880)
Corporate allocations . . . . .	1,743	1,928	1,860
Defined benefit plans merged into Parent's Shared plans . . . . .	—	(40)	(43)
Income taxes . . . . .	(101)	(364)	(323)
Defined benefit plans transferred to Parent . . . . .	277	—	—
Property, plant and equipment transferred from Parent . . . . .	786	—	—
Other . . . . .	9	(6)	—
Total net transfers from Parent per Combined Statements of Equity . . . . .	<u>\$ 1,747</u>	<u>\$ 893</u>	<u>\$1,553</u>



EVERETT SPINCO, INC.

THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY

Notes to Combined Financial Statements (Continued)

A reconciliation of Net transfers from Parent in the Combined Statements of Equity to the corresponding amount presented on the Combined Statements of Cash Flows for all periods presented were as follows:

	Fiscal years ended October 31		
	2015	2014	2013
	In millions		
Net transfers from Parent per Combined Statements of Equity .....	\$1,747	\$ 893	\$1,553
Income taxes refunded to (paid by) Parent .....	15	(69)	(139)
Restructuring .....	(34)	(53)	(57)
Stock-based compensation .....	(218)	(184)	(134)
Transfer of Deferred Taxes .....	(96)	159	(32)
Other .....	(916)	(118)	188
Total net transfers from Parent per Combined Statements of Cash Flows .....	<u>\$ 498</u>	<u>\$ 628</u>	<u>\$1,379</u>

**Note 14: Other Comprehensive Income (Loss)**

*Taxes related to Other Comprehensive Income (Loss)*

	Fiscal years ended October 31		
	2015	2014	2013
	In millions		
Taxes on change in net unrealized gains on available-for-sale securities:			
Tax provision on net unrealized gains arising during the period .....	\$ (1)	\$ (1)	\$ (2)
	<u>(1)</u>	<u>(1)</u>	<u>(2)</u>
Taxes on change in net unrealized (losses) gains on cash flow hedges:			
Tax (provision) benefit on net unrealized gains (losses) arising during the period .....	(5)	(14)	4
Tax provision on net (gains) losses reclassified into earnings .....	9	1	2
	<u>4</u>	<u>(13)</u>	<u>6</u>
Taxes on change in unrealized components of defined benefit plans:			
Tax benefit (provision) on (losses) gains arising during the period .....	9	57	(84)
Tax provision on amortization of actuarial loss and prior service benefit ....	(6)	(6)	(11)
Tax provision on curtailments, settlements and other .....	—	(3)	(2)
Tax provision on Plans transferred from Parent during the period .....	(10)	—	—
	<u>(7)</u>	<u>48</u>	<u>(97)</u>
Tax (provision) benefit on other comprehensive income (loss) .....	<u>\$ (4)</u>	<u>\$ 34</u>	<u>\$ (93)</u>

EVERETT SPINCO, INC.

THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY

Notes to Combined Financial Statements (Continued)

*Changes and reclassifications related to Other Comprehensive Income (Loss), net of taxes*

	Fiscal years ended October 31		
	2015	2014	2013
	In millions		
Other comprehensive income (loss), net of taxes:			
Change in net unrealized gains on available-for-sale securities:			
Net unrealized gains arising during the period . . . . .	\$ 3	\$ 2	\$ 1
	<u>3</u>	<u>2</u>	<u>1</u>
Change in net unrealized (losses) gains on cash flow hedges:			
Net unrealized gains (losses) arising during the period . . . . .	103	59	(11)
Net (gains) losses reclassified into earnings <sup>(1)</sup> . . . . .	(110)	30	2
	<u>(7)</u>	<u>89</u>	<u>(9)</u>
Change in unrealized components of defined benefit plans:			
(Losses) gains arising during the period . . . . .	(102)	(725)	21
Amortization of actuarial loss and prior service benefit <sup>(2)</sup> . . . . .	129	73	72
Curtailments, settlements and other . . . . .	1	15	5
Plans transferred from Parent during the period . . . . .	87	—	—
Merged into Parent's Shared plan during the period . . . . .	—	61	142
	<u>115</u>	<u>(576)</u>	<u>240</u>
Change in cumulative translation adjustment . . . . .	16	(1)	—
Other comprehensive income (loss), net of taxes . . . . .	<u>\$ 127</u>	<u>\$(486)</u>	<u>\$232</u>

- (1) Reclassification of pre-tax (gains) losses on cash flow hedges into the Combined Statements of Operations was as follows:

	Fiscal years ended October 31		
	2015	2014	2013
	In millions		
Net revenue . . . . .	\$(112)	\$22	\$ (7)
Cost of products . . . . .	(6)	(3)	1
Other operating expenses . . . . .	(1)	10	6
	<u>\$(119)</u>	<u>\$29</u>	<u>\$—</u>

- (2) These components are included in the computation of net pension and post-retirement benefit (credit) cost in Note 4, "Retirement and Post-Retirement Benefit Plans."

EVERETT SPINCO, INC.

THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY

Notes to Combined Financial Statements (Continued)

The components of accumulated other comprehensive loss, net of taxes as of October 31, 2015 and changes during fiscal year 2015 were as follows:

	Net unrealized gains on available-for-sale securities	Net unrealized gains (losses) on cash flow hedges	Unrealized components of defined benefit plans In millions	Cumulative translation adjustment	Accumulated other comprehensive loss
Balance at beginning of period . . . . .	\$ 28	\$ 52	\$(1,654)	\$(715)	\$(2,289)
Other comprehensive income (loss) before reclassifications . . . . .	3	103	(101)	16	21
Reclassifications of (gains) losses into earnings . . . . .	—	(110)	129	—	19
Plan transferred to Parent during the period . . . . .	—	—	87	—	87
Balance at end of period . . . . .	<u>\$ 31</u>	<u>\$ 45</u>	<u>\$(1,539)</u>	<u>\$(699)</u>	<u>\$(2,162)</u>

**Note 15: Litigation and Contingencies**

Everett is involved in various lawsuits, claims, investigations and proceedings including those consisting of IP, commercial, securities, employment, employee benefits and environmental matters, which arise in the ordinary course of business. The Separation and Distribution Agreement includes provisions that allocate liability and financial responsibility for litigation involving HPE and Everett, collectively the parties, as well as providing for cross-indemnification of the parties against liabilities to one party arising out of liabilities allocated to the other party. In addition, as part of the Separation and Distribution Agreement, HPE and Everett have agreed to cooperate with each other in managing litigation that relates to both parties' businesses. The Separation and Distribution Agreement also contains provisions that allocate liability and financial responsibility for such litigation relating to both parties' businesses. Everett records a liability when it believes that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Significant judgment is required to determine both the probability of having incurred a liability and the estimated amount of the liability. Everett reviews these matters at least quarterly and adjusts these liabilities to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other updated information and events pertaining to a particular matter. Litigation is inherently unpredictable. However, Everett believes it has valid defenses with respect to legal matters pending against it. Nevertheless, cash flows or results of operations could be materially affected in any particular period by the resolution of one or more of these contingencies. Everett believes it has recorded adequate provisions for any such matters and, as of October 31, 2015, it was not reasonably possible that a material loss had been incurred in connection with such matters in excess of the amounts recognized in its financial statements.

*Litigation, Proceedings and Investigations*

*Cisco Systems.* On August 21, 2015, Cisco Systems, Inc. ("Cisco") and Cisco Systems Capital Corporation ("Cisco Capital") filed an action in Santa Clara County Superior Court for declaratory judgment and breach of contract against HP Inc. in connection with a dispute arising out of a third-party's termination of a services contract with HP Inc. As part of that third-party services contract, HP Inc. separately contracted with Cisco on an agreement to utilize Cisco products and services. HP Inc. prepaid the entire amount due Cisco through a

## EVERETT SPINCO, INC.

### THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY

#### Notes to Combined Financial Statements (Continued)

financing arrangement with Cisco Capital. Following the termination of HP Inc.'s services contract with the third-party, HP Inc. no longer required Cisco's products and services, and, accordingly, exercised its contractual termination rights under the agreement with Cisco, and requested that Cisco apply the appropriate credit toward the remaining balance owed Cisco Capital. This lawsuit relates to the calculation of that credit under the agreement between Cisco and HP Inc. Cisco contends that after the credit is applied, HP Inc. still owes Cisco Capital approximately \$58 million. HP Inc. contends that under a proper reading of the agreement, HP Inc. owes nothing to Cisco Capital, and that Cisco owes significant amounts to HP Inc. On December 18, 2015, the court held a status conference at which it lifted the responsive pleading and discovery stay. Following the conference, Cisco filed an amended complaint that abandons the claim for breach of contract set forth in the original complaint, and asserts a single cause of action for declaratory relief concerning the proper calculation of the cancellation credit. On January 19, 2016, HP Inc. filed a counterclaim for breach of contract simultaneously with its answer to the amended complaint. Fact discovery is scheduled to conclude December 16, 2016. Expert discovery is scheduled to be completed by March 31, 2017. The court has not set a trial date.

Washington, DC Navy Yard Litigation: In December 2013, HP Enterprise Services, LLC (HPES) was named in the first lawsuit arising out of the September 2013 Washington, DC Navy Yard shooting that resulted in the deaths of twelve individuals. The perpetrator was an employee of The Experts, HPES's now terminated subcontractor on HPES's IT services contract with the U.S. Navy. This initial action was filed in the Middle District of Florida but was transferred in February 2015 to the United States District Court for the District of Columbia so that it and all other known cases arising out of the shooting could be heard before the same Judge. We are aware of a total of fifteen lawsuits arising out of the shooting. All cases assert various negligence claims against HPES, The Experts, and other parties, including the U.S. Navy. The court previously dismissed the plaintiffs' claims against the U.S. Navy but did not, at that time, decide the motions to dismiss of HPES or The Experts. On September 15, 2016, the court issued an opinion granting in part and denying in part HPES's motion to dismiss. Claims against all other defendants have been dismissed. On September 29, 2016, HPES filed a motion for reconsideration seeking a full dismissal of the case, or, in the alternative, a motion to certify the court's decision for interlocutory appeal to the U.S. Court of Appeals for the D.C. Circuit. On October 18, 2016, the court will hear argument on HPES's motion.

Forsyth, et al. vs. HP Inc. and Hewlett Packard Enterprise: This purported class and collective action was filed on August 18, 2016 in the United States District Court for the Northern District of California, against HP Inc. and Hewlett Packard Enterprise alleging defendants violated the Federal Age Discrimination in Employment Act (ADEA), the California Fair Employment and Housing Act, California public policy and the California Business and Professions Code by terminating older workers and replacing them with younger workers. Plaintiffs seek to certify a nationwide collective action under the ADEA comprised of all U.S. residents employed by defendants who had their employment terminated pursuant to a WFR plan on or after May 23, 2012, and who were 40 years of age or older at the time of termination. Plaintiffs also seek to represent a Rule 23 class under California law comprised of all persons 40 years or older employed by defendants in the state of California and terminated pursuant to a WFR plan on or after May 23, 2012

#### *Environmental*

Everett's operations and products are or may in the future become subject to various federal, state, local and foreign laws and regulations concerning environmental protection, including laws addressing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, the clean-up of contaminated sites, the substances and materials used in Everett's products, the energy consumption of products, services and operations and the operational or financial responsibility for recycling, treatment and disposal of those products. This includes legislation that makes producers of electrical goods, including servers

**EVERETT SPINCO, INC.**

**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**

**Notes to Combined Financial Statements (Continued)**

and networking equipment, financially responsible for specified collection, recycling, treatment and disposal of past and future covered products (sometimes referred to as “product take-back legislation”). Everett could incur substantial costs, its products could be restricted from entering certain jurisdictions, and it could face other sanctions, if it were to violate or become liable under environmental laws or if its products become non-compliant with environmental laws. Everett’s potential exposure includes impacts on revenue, fines and civil or criminal sanctions, third-party property damage or personal injury claims and clean-up costs. The amount and timing of costs to comply with environmental laws are difficult to predict.

In particular, Everett may become a party to, or otherwise involved in, proceedings brought by U.S. or state environmental agencies under the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), known as “Superfund,” or other federal, state or foreign laws and regulations addressing the clean-up of contaminated sites, and may become a party to, or otherwise involved in, proceedings brought by private parties for contribution towards clean-up costs. Everett is also contractually obligated to make financial contributions to address actions related to certain environmental liabilities, both ongoing and arising in the future, pursuant to its separation and distribution agreement with HP Inc.

**Note 16: Guarantees and Indemnifications**

*Guarantees*

In the ordinary course of business, Everett may issue performance guarantees to certain of its clients, customers and other parties pursuant to which Everett has guaranteed the performance obligations of third parties. Some of those guarantees may be backed by standby letters of credit or surety bonds. In general, Everett would be obligated to perform over the term of the guarantee in the event a specified triggering event occurs as defined by the guarantee. Everett believes the likelihood of having to perform under a material guarantee is remote.

Everett has entered into service contracts with certain of its clients that are supported by financing arrangements. If a service contract is terminated as a result of Everett’s non-performance under the contract or failure to comply with the terms of the financing arrangement, Everett could, under certain circumstances, be required to acquire certain assets related to the service contract. Everett believes the likelihood of having to acquire a material amount of assets under these arrangements is remote.

*Indemnifications*

In the ordinary course of business, Everett enters into contractual arrangements under which Everett may agree to indemnify a third party to such arrangement from any losses incurred relating to the services they perform on behalf of Everett or for losses arising from certain events as defined within the particular contract, which may include, for example, litigation or claims relating to past performance. Everett also provides indemnifications to certain vendors and customers against claims of intellectual property infringement made by third parties arising from the use by such vendors and customers of Everett’s software products and services and certain other matters. Some indemnifications may not be subject to maximum loss clauses. Historically, payments made related to these indemnifications have been immaterial.

**Note 17: Commitments**

*Lease Commitments*

Everett leases certain real and personal property under non-cancelable operating leases. Certain leases require Everett to pay property taxes, insurance and routine maintenance and include renewal options and

**EVERETT SPINCO, INC.**

**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**

**Notes to Combined Financial Statements (Continued)**

escalation clauses. Rent expense was approximately \$405 million, \$606 million and \$661 million in fiscal 2015, fiscal 2014 and fiscal 2013, respectively.

As of October 31, 2015, future minimum operating lease commitments were as follows:

<u>Fiscal year</u>	<u>In millions</u>
2016 .....	\$ 350
2017 .....	259
2018 .....	164
2019 .....	109
2020 .....	84
Thereafter .....	242
Less: Sublease rental income .....	(42)
Total .....	<u>\$1,166</u>

*Unconditional Purchase Obligations*

At October 31, 2015, Everett had unconditional purchase obligations of approximately \$1.2 billion. These unconditional purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on Everett and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions and the approximate timing of the transaction. These unconditional purchase obligations are related principally to software license agreements and other items. Unconditional purchase obligations exclude agreements that are cancelable without penalty.

As of October 31, 2015, future unconditional purchase obligations were as follows:

<u>Fiscal Year</u>	<u>In millions</u>
2016 .....	\$ 338
2017 .....	282
2018 .....	280
2019 .....	229
2020 .....	12
Thereafter .....	19
Total .....	<u>\$1,160</u>

**Note 18: Subsequent Events**

Everett evaluated subsequent events for recognition or disclosure through October 31, 2016, the date Combined Financial Statements were available to be issued.

**EVERETT SPINCO, INC.**  
**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**  
**Condensed Combined Statements of Operations**  
**(Unaudited)**

	Nine months ended July 31	
	2016	2015
	In millions	
Net revenue: . . . . .	\$13,444	\$14,233
Costs and expenses:		
Cost of revenue . . . . .	11,707	12,672
Selling, general and administrative . . . . .	1,265	1,409
Amortization of intangible assets . . . . .	298	299
Restructuring charges . . . . .	495	356
Separation costs . . . . .	157	140
Divestiture charges . . . . .	13	—
Defined benefit plan settlement charges . . . . .	—	186
Impairment of data center assets . . . . .	—	136
Total costs and expenses . . . . .	<u>13,935</u>	<u>15,198</u>
Loss from operations . . . . .	(491)	(965)
Interest and other, net . . . . .	<u>(125)</u>	<u>(140)</u>
Loss before taxes . . . . .	(616)	(1,105)
Benefit for taxes . . . . .	<u>127</u>	<u>211</u>
Net loss . . . . .	<u>\$ (489)</u>	<u>\$ (894)</u>

The accompanying notes are an integral part of these Condensed Combined Financial Statements.

**EVERETT SPINCO, INC.**  
**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**  
**Condensed Combined Statements of Comprehensive Loss**  
**(Unaudited)**

	Nine months ended July 31	
	2016	2015
	In millions	
Net loss .....	\$(489)	\$(894)
Other comprehensive income before taxes:		
Change in net unrealized losses on available-for-sale securities:		
Net unrealized losses arising during the period .....	(8)	(2)
Net gains reclassified into earnings .....	(2)	—
	(10)	(2)
Change in net unrealized (losses) gains on cash flow hedges:		
Net unrealized gains arising during the period .....	34	99
Net gains reclassified into earnings .....	(47)	(90)
	(13)	9
Change in unrealized components of defined benefit plans:		
Losses arising during the period .....	(2)	(3)
Amortization of actuarial loss and prior service benefit .....	64	101
Curtailments, settlements and other .....	—	4
	62	102
Change in cumulative translation adjustment .....	(5)	—
Other comprehensive income before taxes .....	34	109
Benefit (provision) for taxes .....	4	(6)
Other comprehensive income, net of taxes .....	38	103
Comprehensive loss .....	\$(451)	\$(791)

The accompanying notes are an integral part of these Condensed Combined Financial Statements.



**EVERETT SPINCO, INC.**  
**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**  
**Condensed Combined Balance Sheets**

	As of	
	July 31, 2016	October 31, 2015
	In millions (Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents . . . . .	\$ 392	\$ 217
Accounts receivable . . . . .	3,279	3,396
Financing receivables . . . . .	140	151
Other current assets . . . . .	1,773	1,868
Total current assets . . . . .	5,584	5,632
Property, plant and equipment . . . . .	4,214	4,487
Long-term financing receivables . . . . .	272	293
Intangible assets . . . . .	32	330
Other assets . . . . .	1,879	1,708
Total assets . . . . .	\$11,981	\$12,450
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable and short-term borrowings . . . . .	\$ 2	\$ 49
Capital lease obligations, short-term . . . . .	799	799
Accounts payable . . . . .	837	864
Employee compensation and benefits . . . . .	798	957
Taxes on earnings . . . . .	61	70
Deferred revenue . . . . .	981	1,054
Accrued restructuring . . . . .	415	522
Other accrued liabilities . . . . .	1,213	1,391
Total current liabilities . . . . .	5,106	5,706
Long-term debt . . . . .	394	397
Capital lease obligations, long-term . . . . .	1,593	1,589
Other liabilities . . . . .	3,251	3,530
Commitments and contingencies		
Equity:		
Parent company investment . . . . .	3,732	3,365
Accumulated other comprehensive loss . . . . .	(2,124)	(2,162)
Equity attributable to Everett . . . . .	1,608	1,203
Non-controlling interests . . . . .	29	25
Total equity . . . . .	1,637	1,228
Total liabilities and equity . . . . .	\$11,981	\$12,450

The accompanying notes are an integral part of these Condensed Combined Financial Statements.

**EVERETT SPINCO, INC.**  
**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**  
**Condensed Combined Statements of Cash Flows**  
**(Unaudited)**

	<b>Nine months ended July 31</b>	
	<b>2016</b>	<b>2015</b>
	<b>In millions</b>	
Cash flows from operating activities:		
Net loss	\$ (489)	\$ (894)
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,402	1,300
Stock-based compensation expense	151	151
Provision for doubtful accounts	15	(4)
Restructuring charges	495	356
Deferred taxes on earnings	—	131
Other, net	21	194
Changes in operating assets and liabilities:		
Accounts receivable	102	423
Financing receivables	29	(93)
Accounts payable	(16)	(26)
Taxes on earnings	86	16
Restructuring	(483)	(575)
Other assets and liabilities	(786)	(247)
Net cash provided by operating activities	<u>527</u>	<u>732</u>
Cash flows from investing activities:		
Investment in property, plant and equipment	(104)	(159)
Proceeds from sale of property, plant and equipment	62	84
Purchases of available-for-sale securities and other investments	(2)	—
Maturities and sales of available-for-sale securities and other investments	13	28
Proceeds from business divestiture, net	65	5
Net cash provided by (used in) investing activities	<u>34</u>	<u>(42)</u>
Cash flows from financing activities:		
Short-term borrowings with original maturities less than 90 days, net	—	1
Payment of debt	(44)	—
Principal payments on capital lease obligations	(714)	(826)
Net transfers from Parent	372	176
Net cash used in financing activities	<u>(386)</u>	<u>(649)</u>
Increase in cash and cash equivalents	175	41
Cash and cash equivalents at beginning of period	217	174
Cash and cash equivalents at end of period	<u>\$ 392</u>	<u>\$ 215</u>
<b>Supplemental schedule of non-cash investing and financing activities:</b>		
Property, plant and equipment acquired through capital leases	\$ 776	\$ 543

The accompanying notes are an integral part of these Condensed Combined Financial Statements.

**EVERETT SPINCO, INC.**  
**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**  
**Condensed Combined Statements of Equity**  
**(Unaudited)**

	<u>Parent Company Investment</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Equity Attributable to Everett</u>	<u>Non- controlling Interests</u>	<u>Total Equity</u>
	In millions				
<b>For the Nine Months Ended July 31, 2016</b>					
Balance at October 31, 2015 .....	\$3,365	\$(2,162)	\$1,203	\$25	\$1,228
Net loss .....	(489)		(489)		(489)
Other comprehensive income .....		38	38		38
Comprehensive loss .....			(451)		(451)
Net transfers from Parent .....	856		856		856
Changes in non-controlling interests .....			—	4	4
Balance at July 31, 2016 .....	<u>\$3,732</u>	<u>\$(2,124)</u>	<u>\$1,608</u>	<u>\$29</u>	<u>\$1,637</u>
<b>For the Nine Months Ended July 31, 2015</b>					
Balance at October 31, 2014 .....	\$3,503	\$(2,289)	\$1,214	\$34	\$1,248
Net loss .....	(894)		(894)		(894)
Other comprehensive income .....		103	103		103
Comprehensive loss .....			(791)		(791)
Net transfers from Parent .....	725		725		725
Changes in non-controlling interests .....			—	2	2
Balance at July 31, 2015 .....	<u>\$3,334</u>	<u>\$(2,186)</u>	<u>\$1,148</u>	<u>\$36</u>	<u>\$1,184</u>

The accompanying notes are an integral part of these Condensed Combined Financial Statements.

**EVERETT SPINCO, INC.**  
**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**  
**Notes to Condensed Combined Financial Statements**  
**(Unaudited)**

**Note 1: Background and Basis of Presentation**

*Background*

The Enterprise Services Business (“Everett Spingo, Inc.” or “Everett”) of Hewlett Packard Enterprise Company (“HPE”) consists of the Enterprise Services segment of HPE excluding (a) the Mphasis Limited reporting unit and (b) the Communications and Media Solutions product group. Everett is a leading global provider of technology consulting, outsourcing and support services across infrastructure, applications and business process domains in traditional and Strategic Enterprise Service (“SES”) offerings which includes analytics and data management, security and cloud services. HPE was spun off by Hewlett-Packard Company in a November 1, 2015 transaction in which HP Inc. (“former Parent”), formerly known as Hewlett-Packard Company, separated into two independent publicly traded companies. Accordingly, the term “Parent” refers to the Hewlett-Packard Company for periods prior to November 1, 2015 and to HPE from November 1, 2015 onward.

On May 24, 2016, HPE announced plans for a tax-free spin-off and merger of Everett with Computer Sciences Corporation (“CSC”). Immediately following the transaction, which is currently targeted to be completed at or near April 1, 2017, shareholders of HPE will own shares of both HPE and approximately fifty percent of the new combined company, CSC. The transaction is subject to certain customary closing conditions including approval by CSC shareholders, the effective filing of related registration statements, completion of a tax-free spin-off of Everett, Everett debt transaction, the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the receipt of certain required foreign anti-trust approvals.

*Basis of Presentation*

These Condensed Combined Financial Statements of Everett were derived from the Condensed Consolidated and Combined Financial Statements and accounting records of Parent as if Everett were operated on a standalone basis during the periods presented and were prepared in accordance with U.S. generally accepted accounting principles (“GAAP”).

The Condensed Combined Statements of Operations and Comprehensive Loss of Everett reflect allocations of general corporate expenses from Parent including, but not limited to, executive management, finance, legal, information technology, employee benefits administration, treasury, risk management, procurement and other shared services. These allocations were made on a direct usage basis when identifiable, with the remainder allocated on the basis of revenue, expenses, headcount or other relevant measures. Management of Everett and Parent consider these allocations to be a reasonable reflection of the utilization of services by, or the benefits provided to, Everett. The allocations may not, however, reflect the expense Everett would have incurred as a standalone company for the periods presented. Actual costs that may have been incurred if Everett had been a standalone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

The Condensed Combined Balance Sheets of Everett include Parent assets and liabilities that are specifically identifiable or otherwise attributable to Everett, including subsidiaries and affiliates in which Parent has a controlling financial interest or is the primary beneficiary. Parent’s cash has not been assigned to Everett

**EVERETT SPINCO, INC.**  
**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**  
**Notes to Condensed Combined Financial Statements**  
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for any of the periods presented because those cash balances are not directly attributable to Everett. Everett reflects transfers of cash to and from Parent's cash management system as a component of Parent company investment on the Condensed Combined Balance Sheets. Parent's long-term debt has not been attributed to Everett for any of the periods presented because Parent's borrowings are not the legal obligation of Everett.

Parent maintains various benefit and stock-based compensation plans at a corporate level and other benefit plans at a subsidiary level. Everett's employees participate in those programs and a portion of the cost of those plans is included in the Condensed Combined Financial Statements. However, the Condensed Combined Balance Sheets do not include any net benefit plan obligations unless the benefit plan only includes active, retired and other former Everett employees or any equity related to stock-based compensation plans.

In the opinion of management, the accompanying unaudited Condensed Combined Financial Statements of Everett contain all adjustments, including normal recurring adjustments, necessary to present fairly Everett's financial position as of July 31, 2016 and October 31, 2015 and its results of operations and cash flows for the nine months ended July 31, 2016 and 2015.

The results of operations and cash flows for the nine months ended July 31, 2016 are not necessarily indicative of the results to be expected for the full fiscal year.

*Principles of Combination*

The Condensed Combined Financial Statements include Everett's net assets and results of operations as described above. All intercompany transactions and accounts within the combined businesses of Everett have been eliminated.

Intercompany transactions between Everett and Parent other than leases with Parent's wholly-owned leasing subsidiary (see below) are considered to be effectively settled in the Condensed Combined Financial Statements at the time the transaction is recorded. The total net effect of the settlement of these intercompany transactions is reflected in the Condensed Combined Statements of Cash Flows within financing activities and in the Condensed Combined Balance Sheets within Parent company investment. Parent company investment in the Condensed Combined Balance Sheets and Statements of Equity represents Parent's historical investment in Everett, the net effect of transactions with and allocations from Parent and Everett's accumulated earnings.

Everett accounts for investments in companies over which it has the ability to exercise significant influence but does not hold a controlling interest under the equity method, and Everett records its proportionate share of income or losses in Interest and other, net, in the Condensed Combined Statements of Operations.

Non-controlling interests are presented as a separate component within Equity in the Condensed Combined Balance Sheets. Net earnings attributable to the non-controlling interests are recorded within Interest and other, net, in the Condensed Combined Statements of Operations and are not presented separately as they were not material for any period presented.

*Use of Estimates*

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Condensed Combined Financial Statements and accompanying notes. Actual results could differ materially from those estimates.

**EVERETT SPINCO, INC.**  
**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**  
**Notes to Condensed Combined Financial Statements**  
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*Leases with Parent's Wholly-owned Leasing Subsidiary*

Everett enters into leasing arrangements with Parent's wholly-owned leasing subsidiary, HPE Financial Services, which are cash settled on a recurring basis in accordance with the contractual terms of the leasing arrangements. These leasing arrangements are accounted for as capital leases or operating leases based on the contractual terms of the individual leasing arrangements. Capital lease obligations are presented on the face of the Condensed Combined Balance Sheets and principal payments on these obligations are reflected on a separate line within financing activities in the Condensed Combined Statements of Cash Flows.

*Divestitures*

During the nine months ended July 31, 2016, Everett completed one divestiture, which resulted in gross proceeds of \$65 million and a gain on sale of \$62 million. During the nine months ended July 31, 2015, Everett completed one divestiture, which resulted in proceeds and a loss on sale which were not material. The gains and losses associated with these divestitures were included in Selling, general and administrative expense on the Condensed Combined Statements of Operations.

*Recently Adopted Accounting Pronouncements*

In November 2015, the Financial Accounting Standards Board ("FASB") amended the existing accounting standards for income taxes. The amendments require companies to report their deferred tax assets and liabilities each as a single non-current item on their classified balance sheets. Everett elected to adopt the amendments in the first quarter of fiscal 2016 and applied them retrospectively to all periods presented in the Condensed Combined Financial Statements, as permitted by the standard.

In September 2015, the FASB amended existing accounting standards to simplify the accounting for measurement period adjustments to provisional amounts recognized in a business combination. The amendments require all such adjustments to be recognized in the period they are determined. Adjustments related to previous reporting periods since the acquisition date must be disclosed by income statement line item, either on the face of the income statement or within the footnotes. Everett elected to early adopt the amendments in the first quarter of fiscal 2016, as permitted by the standard. The adoption of the amendments did not have a material impact on the Condensed Combined Financial Statements.

In July 2013, the FASB issued a new accounting standard requiring the presentation of certain unrecognized tax benefits as reductions to deferred tax assets rather than as liabilities in the Combined Balance Sheets when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. Everett adopted the new standard in the first quarter of fiscal 2015 on a prospective basis. The adoption of this new standard did not have a material effect on the Condensed Combined Financial Statements.

*Recently Enacted Accounting Pronouncements*

In August 2016, the FASB amended the existing accounting standards for the statement of cash flows. The amendments provide guidance on eight classification issues related to the statement of cash flows. Everett is required to adopt the guidance in the first quarter of fiscal 2019. The amendments should be applied retrospectively to all periods presented. For issues that are impracticable to apply retrospectively, the amendments may be applied prospectively as of the earliest date practicable. Early adoption is permitted, including adoption in an interim period. Everett is currently evaluating the timing and the impact of these amendments on its Condensed Combined Financial Statements.

**EVERETT SPINCO, INC.**

**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**

**Notes to Condensed Combined Financial Statements**

**(Unaudited)**

In June 2016, the FASB amended the existing accounting standards for the measurement of credit losses. The amendments require an entity to estimate its lifetime expected credit loss for most financial instruments, including trade and lease receivables, and record an allowance for the portion of the amortized cost the entity does not expect to collect. The estimate of expected credit losses should consider historical information, current information, and reasonable and supportable forecasts, including estimates of prepayments. Everett is required to adopt the guidance in the first quarter of fiscal 2021. Early adoption is permitted beginning in fiscal 2020. Everett is currently evaluating the timing and impact of these amendments on its Condensed Combined Financial Statements.

In March 2016, the FASB amended the existing accounting standards for employee share-based payment arrangements. The amendments require all excess tax benefits and tax deficiencies to be recognized as income tax expense or income tax benefit, respectively, rather than as additional paid-in capital. The amendments also increase the amount an employer can withhold in order to cover income taxes on awards, allows companies to recognize forfeitures of awards as they occur, and requires companies to present excess tax benefits as an operating activity in the statement of cash flows rather than as a financing activity. Everett is required to adopt the guidance in the first quarter of fiscal 2018. Early adoption is permitted. Everett is currently evaluating the timing and the impact of these amendments on its Condensed Combined Financial Statements.

In February 2016, the FASB amended the existing accounting standards for leases. The amendments require lessees to record, at lease inception, a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term on their balance sheets. Lessees may elect to not recognize lease liabilities and ROU assets for most leases with terms of 12 months or less. The lease liability is measured at the present value of the lease payments over the lease term. The ROU asset will be based on the liability, adjusted for lease prepayments, lease incentives received, and the lessee's initial direct costs. For finance leases, expense will be the sum of interest on the lease obligation and amortization of the ROU asset, resulting in a front-loaded expense pattern. For operating leases, expense will generally be recognized on a straight-line basis. The amended lessor accounting model is similar to the current model, updated to align with certain changes to the lessee model and the new revenue standard. The current sale-leaseback guidance, including guidance applicable to real estate, is also replaced with a new model for both lessees and lessors. Everett is required to adopt the guidance in the first quarter of fiscal 2020 using a modified retrospective approach. Early adoption is permitted. Everett is currently evaluating the timing and the impact of these amendments on its Condensed Combined Financial Statements.

In April 2015, the FASB amended the existing accounting standards for intangible assets. The amendments provide explicit guidance to customers in determining the accounting for fees paid in a cloud computing arrangement, wherein the arrangements that do not convey a software license to the customer are accounted for as service contracts. The amendments also eliminate the practice of accounting for software licenses as executory contracts which may result in more software assets being capitalized. Everett is required to adopt the guidance in the first quarter of fiscal 2017; however, early adoption is permitted as is retrospective application. Everett is currently evaluating the impact of these amendments on its Condensed Combined Financial Statements.

In April 2015, the FASB amended the existing accounting standards for imputation of interest. The amendments require that debt issuance costs related to a recognized debt liability be presented on the classified balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by these



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amendments. Everett is required to adopt the guidance in the first quarter of fiscal 2017. Early adoption is permitted. The amendments should be applied retrospectively with the adjusted balance sheet of each individual period presented, in order to reflect the period-specific effects of applying the new guidance. The adoption of these amendments is not expected to have a material impact on the Condensed Combined Financial Statements.

In May 2014, the FASB amended the existing accounting standards for revenue recognition. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued an accounting standard update for a one-year deferral of the effective date, with an option of applying the standard on the original effective date, which for Everett is the first quarter of fiscal 2018. In accordance with this deferral, Everett is required to adopt these amendments in the first quarter of fiscal 2019. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. Everett is currently evaluating the impact of these amendments and the transition alternatives on its Condensed Combined Financial Statements.

**Note 2: Segment Information**

Everett is a leading global provider of technology consulting, outsourcing and support services across infrastructure, applications and business process domains in traditional and SES offerings. Everett's operations are organized into two segments for financial reporting purposes: Infrastructure Technology Outsourcing ("ITO") and Application and Business Services ("ABS"). Everett's organizational structure is based on a number of factors that Everett management uses to evaluate, view and run its business operations, which include, but are not limited to, customer base and homogeneity of services and technology. The segments are based on this organizational structure and information reviewed by Everett management to evaluate segment results.

A summary description of each segment follows.

*Infrastructure Technology Outsourcing* delivers comprehensive services that encompass the management of data centers, information technology security, cloud computing, workplace technology, networks, unified communications and enterprise service management.

*Application and Business Services* helps clients develop, revitalize and manage their applications and information assets.

*Segment Policy*

Everett derives the results of the business segments directly from its internal management reporting system. The accounting policies Everett uses to derive segment results are substantially the same as those Parent uses. Management measures the performance of each segment based on several metrics, including earnings from operations. Management uses these results, in part, to evaluate the performance of, and to allocate resources to, each of the segments.

Everett does not allocate to its segments certain operating expenses, which it manages at the corporate level. These unallocated costs include certain corporate governance costs, stock-based compensation expense, amortization of intangible assets, restructuring charges, separation costs, divestiture charges, defined benefit plan settlement charges and impairment of data center assets.



EVERETT SPINCO, INC.

THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY

Notes to Condensed Combined Financial Statements

(Unaudited)

*Segment Operating Results*

	Infrastructure Technology Outsourcing	Application and Business Services	Total
	In millions		
<b><u>Nine months ended July 31, 2016</u></b>			
Total segment net revenue . . . . .	<u>\$9,152</u>	<u>\$4,292</u>	<u>\$13,444</u>
Segment earnings from operations . . . . .	<u>\$ 289</u>	<u>\$ 492</u>	<u>\$ 781</u>
<b><u>Nine months ended July 31, 2015</u></b>			
Total segment net revenue . . . . .	<u>\$9,515</u>	<u>\$4,718</u>	<u>\$14,233</u>
Segment earnings from operations . . . . .	<u>\$ 122</u>	<u>\$ 301</u>	<u>\$ 423</u>

The reconciliation of segment operating results to Everett's combined results was as follows:

	Nine months ended July 31	
	2016	2015
	In millions	
<b>Net Revenue:</b>		
Total combined net revenue . . . . .	\$13,444	\$14,233
<b>Earnings before taxes:</b>		
Total segment earnings from operations . . . . .	\$ 781	\$ 423
Corporate and unallocated costs and eliminations . . . . .	(158)	(120)
Stock-based compensation expense . . . . .	(151)	(151)
Amortization of intangible assets . . . . .	(298)	(299)
Restructuring charges . . . . .	(495)	(356)
Separation costs . . . . .	(157)	(140)
Divestiture charges . . . . .	(13)	—
Defined benefit plan settlement charges . . . . .	—	(186)
Impairment of data center assets . . . . .	—	(136)
Interest and other, net . . . . .	(125)	(140)
Total combined loss before taxes . . . . .	\$ (616)	\$ (1,105)

EVERETT SPINCO, INC.

THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY

Notes to Condensed Combined Financial Statements

(Unaudited)

**Note 3: Restructuring**

*Summary of Restructuring Plans*

Restructuring charges of \$0.5 billion have been recorded by Everett during the nine months ended July 31, 2016, based on restructuring activities impacting Everett's employees and infrastructure as well as an allocation of restructuring charges related to Parent's corporate and shared functional employees and infrastructure. Allocated restructuring charges related to Parent's corporate and shared functional employees and infrastructure were \$25 million during the nine months ended July 31, 2016. Restructuring activities related to Everett's employees and infrastructure ("Direct Restructuring"), summarized by plan were as presented in the table below:

	Fiscal 2015 Plan		Fiscal 2012 Plan		Other Plans		
	Employee Severance	Infrastructure and other	Employee Severance and EER	Infrastructure and other	Employee Severance	Infrastructure and other	Total
	In millions						
Liability as of October 31, 2015 . . . .	\$ 278	\$—	\$ 274	\$ 8	\$ 1	\$ 19	\$ 580
Charges . . . . .	356	124	(10)	—	—	—	470
Cash payments . . . . .	(241)	(78)	(149)	(7)	—	(8)	(483)
Non-cash items . . . . .	(17)	(32)	—	—	—	—	(49)
Liability as of July 31, 2016 . . . . .	<u>\$ 376</u>	<u>\$ 14</u>	<u>\$ 115</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 11</u>	<u>\$ 518</u>
Total costs incurred to date as of							
July 31, 2016 . . . . .	<u>\$ 635</u>	<u>\$124</u>	<u>\$2,525</u>	<u>\$391</u>	<u>\$427</u>	<u>\$1,111</u>	<u>\$5,213</u>
Total expected costs to be incurred							
as of July 31, 2016 . . . . .	<u>\$1,770</u>	<u>\$200</u>	<u>\$2,525</u>	<u>\$391</u>	<u>\$427</u>	<u>\$1,111</u>	<u>\$6,424</u>

The current restructuring liability reported in Accrued restructuring in the Condensed Combined Balance Sheets at July 31, 2016 and October 31, 2015 was \$415 million and \$522 million, respectively. The long-term restructuring liability reported in Other liabilities in the Condensed Combined Balance Sheets at July 31, 2016 and October 31, 2015 was \$103 million and \$58 million, respectively.

*Fiscal 2015 Restructuring Plan*

On September 14, 2015, Parent's Board of Directors approved a restructuring plan (the "2015 Plan") which will be implemented through fiscal 2018. As part of the 2015 Plan, Everett expects up to approximately 27,700 employees to exit Everett by the end of 2018. The changes to the workforce will vary by country, based on local legal requirements and consultations with employee works councils and other employee representatives, as appropriate. Everett estimates that it will incur aggregate pre-tax charges through fiscal 2018 of approximately \$2.0 billion in connection with the 2015 Plan, of which approximately \$1.8 billion relates to workforce reductions and approximately \$200 million primarily relates to real estate consolidation.

*Fiscal 2012 Restructuring Plan*

On May 23, 2012, Parent adopted a multi-year restructuring plan (the "2012 Plan") designed to simplify business processes, accelerate innovation and deliver better results for customers, employees and stockholders. As of July 31, 2016, Everett had eliminated 29,400 positions in connection with the 2012 Plan, with a portion of

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those employees exiting Everett as part of voluntary enhanced early retirement (“EER”) programs in the U.S. and in certain other countries. Everett recognized \$2.9 billion in total aggregate charges in connection with the 2012 Plan, with \$2.5 billion for workforce reductions, including the EER programs, and \$391 million for infrastructure, including data center and real estate consolidation and other items. The severance and infrastructure related cash payments associated with the 2012 Plan are expected to be paid out through fiscal 2021.

*Other Plans*

Restructuring plans initiated by Parent in fiscal 2008 and 2010 were substantially completed as of April 30, 2015. Severance and infrastructure related cash payments associated with the other plans are expected to be paid out through fiscal 2019.

**Note 4: Retirement and Post-Retirement Benefit Plans**

*Pension Benefit Expense*

Certain eligible employees, retirees and other former employees of Everett participate in certain U.S. and international defined benefit pension plans and post-retirement benefit plans offered by Parent. Those plans whose participants included both Everett employees and other employees of Parent are accounted for as multiemployer benefit plans and the related net benefit plan obligations are not included in the Condensed Combined Balance Sheets. The related benefit plan expense has been allocated to Everett based on Everett’s labor costs and allocations of corporate and other shared functional personnel.

Certain defined benefit pension plans in Everett’s operations only included active, retired and other former Everett employees and were accounted for as single employer benefit (“Direct”) plans. Accordingly, the net benefit plan obligations and the related benefit plan expense of those plans have been recorded in the Condensed Combined Financial Statements for all periods presented. The most significant of these Direct plans are located in the United Kingdom, Germany and Canada.

Everett recognized total net pension and other post-retirement benefit expense in the Condensed Combined Statements of Operations of \$68 million and \$153 million for the nine months ended July 31, 2016 and 2015, respectively.

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Everett's net pension benefit cost recognized in the Condensed Combined Statements of Operations for Direct plans was as follows:

	Nine months ended July 31			
	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans	
	2016	2015	2016	2015
	In millions			
Service cost . . . . .	\$—	\$—	\$ 42	\$ 55
Interest cost . . . . .	—	12	178	190
Expected return on plan assets . . . . .	—	—	(242)	(293)
Amortization and deferrals:				
Actuarial loss . . . . .	—	2	70	100
Prior service benefit . . . . .	—	—	(4)	(1)
Net periodic benefit cost . . . . .	—	14	44	51
Special termination benefits . . . . .	—	—	13	15
Settlement loss . . . . .	—	—	—	1
Net benefit cost . . . . .	<u>\$—</u>	<u>\$ 14</u>	<u>\$ 57</u>	<u>\$ 67</u>

In January 2015, Parent offered certain terminated vested participants of the U.S. HP Pension Plan, a Shared plan, a one-time voluntary window during which they could elect to receive their pension benefit as a lump sum payment. As a result, the Parent pension plan trust made lump sum payments to eligible participants who elected to receive their pension benefit under this lump sum program. The defined benefit plan settlement charges of \$186 million recorded in the Condensed Combined Statement of Operations for the nine months ended July 31, 2015, primarily include settlement expenses and additional net periodic benefit cost resulting from this lump sum program incurred by the Parent, which was determined to be directly attributable to Everett and the impact of re-measurement of the related U.S. defined benefit plans.

*Future Contributions and Funding Policy*

Everett's policy is to fund its pension plans so that it makes at least the minimum contribution required by local government, funding and taxing authorities.

Everett previously disclosed in its Combined Financial Statements for the fiscal year ended October 31, 2015 that it expected to contribute approximately \$110 million in fiscal 2016 to its non-U.S. pension plans. During the nine months ended July 31, 2016, Everett contributed \$78 million to its non-U.S. pension plans and there were no payments made under Everett's post-retirement benefit plans. During the remainder of fiscal 2016, Everett anticipates making additional contributions of approximately \$32 million to its non-U.S. pension plans.

Everett's pension and other post-retirement benefit costs and obligations depend on various assumptions. Differences between expected and actual returns on investments and changes in discount rates and other actuarial assumptions are reflected as unrecognized gains or losses, and such gains or losses are amortized to earnings in future periods. A deterioration in the funded status of a plan could result in a need for additional company contributions or an increase in net pension and post-retirement benefit costs in future periods. Actuarial gains or

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losses are determined at the measurement date and amortized over the remaining service life for active plans or the life expectancy of plan participants for frozen plans.

**Note 5: Stock-Based Compensation**

Certain of Everett's employees participate in stock-based compensation plans sponsored by Parent. Parent's stock-based compensation plans include incentive compensation plans and an employee stock purchase plan. All awards granted under the plans are based on Parent's common shares and, as such, are reflected in Parent's Combined and Consolidated Statements of Stockholders' Equity and not in the Condensed Combined Statements of Equity. Stock-based compensation expense includes expense attributable to Everett based on the awards and terms previously granted to Everett's employees and an allocation of Parent's corporate and shared functional employee expenses. Accordingly, the amounts presented are not necessarily indicative of future awards and do not necessarily reflect the results that Everett would have experienced as an independent company for the periods presented.

Stock-based compensation expense and the resulting tax benefits recognized by Everett were as follows:

	Nine months ended July 31	
	2016	2015
	In millions	
Stock-based compensation expense . . . . .	\$166	\$151
Income tax benefit . . . . .	—	—
Stock-based compensation expense, net of tax . . . . .	<u>\$166</u>	<u>\$151</u>

Stock-based compensation expense includes an allocation of Parent's corporate and shared functional employee expenses of \$49 million and \$39 million for the nine months ended July 31, 2016 and 2015, respectively.

In May 2016, in connection with the announcement of the spin-off of Everett and the Merger, Parent modified its stock-based compensation program such that certain unvested equity awards outstanding on May 24, 2016 will vest upon the earlier of: (i) the termination of an employee's employment with HPE as a direct result of an announced sale, divestiture or spin-off of a subsidiary, division or other business; (ii) the termination of an employee's employment with HPE without cause; or (iii) June 1, 2018. This modification also includes changes to the performance and market conditions of certain performance-based awards. As a result, for the nine months ended July 31, 2016, stock-based compensation expense in the table above includes pre-tax expense of \$15 million, which has been recorded within Separation costs in the Condensed Combined Statements of Earnings.

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*Restricted Stock Awards*

A summary of restricted stock awards activity for Everett employees is as follows:

	Nine months ended July 31, 2016	Weighted- Average Grant Date Fair Value Per Share
	Shares In thousands	
Outstanding at beginning of period . . . . .	—	\$—
Converted from former Parent's plan . . . . .	10,205	\$ 15
Granted . . . . .	6,337	\$ 15
Vested . . . . .	(1,643)	\$ 15
Forfeited . . . . .	(467)	\$ 15
Outstanding at end of period . . . . .	<u>14,432</u>	<u>\$ 15</u>

As of July 31, 2016, total unrecognized pre-tax stock-based compensation expense related to non-vested restricted stock awards to Everett employees was \$122 million, which is expected to be recognized over the remaining weighted-average vesting period of 1.2 years.

*Stock Options*

Parent uses the Black-Scholes-Merton option-pricing model to estimate the fair value of stock options subject to service-based vesting conditions. Parent estimates the fair value of stock options subject to performance-contingent vesting conditions using a combination of a Monte Carlo simulation model and a lattice model as these awards contain market conditions. The weighted-average fair value and Parent's assumptions used to measure fair value were as follows:

	Nine months ended July 31, 2016
Weighted-average fair value <sup>(1)</sup> . . . . .	\$ 5
Expected volatility <sup>(2)</sup> . . . . .	28.4%
Risk-free interest rate <sup>(3)</sup> . . . . .	1.2%
Expected dividend yield <sup>(4)</sup> . . . . .	1.2%
Expected term in years <sup>(5)</sup> . . . . .	5.3

- (1) The weighted-average fair value was based on stock options granted during the period.
- (2) The expected volatility was estimated using average historical volatility of selected peer companies.
- (3) The risk-free interest rate was estimated based on the yield on U.S. Treasury zero-coupon issues.
- (4) The expected dividend yield represents a constant dividend yield applied for the duration of the expected term of the award.
- (5) For awards subject to service-based vesting, the expected term was estimated using the simplified method detailed in SEC Staff Accounting Bulletin No. 107 and for performance-contingent awards, the expected term represents an output from the lattice model.

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A summary of stock option activity for Everett employees is as follows:

	Nine months ended July 31, 2016			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	In thousands		In years	In millions
Outstanding at beginning of period . . . . .	—			
Converted from former Parent's plan . . . . .	9,275	\$15		
Granted . . . . .	4,712	\$15		
Exercised . . . . .	(1,122)	\$10		
Forfeited/cancelled/expired . . . . .	(300)	\$21		
Outstanding at end of period . . . . .	<u>12,565</u>	\$15	5.8	71
Vested and expected to vest at end of period . . . .	<u>12,122</u>	\$15	5.7	69
Exercisable at end of period . . . . .	<u>5,086</u>	\$14	4.3	35

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value that Everett employee option holders would have realized had all Everett employee option holders exercised their options on July 31, 2016. The aggregate intrinsic value is the difference between Parent's closing stock price on July 31, 2016 and the exercise price, multiplied by the number of in-the-money options. Total intrinsic value of options exercised by Everett employees for the nine months ended July 31, 2016 was \$8 million.

As of July 31, 2016, total unrecognized pre-tax, stock-based compensation expense related to unvested stock options for Everett employees was \$16 million, which is expected to be recognized over the remaining weighted-average vesting period of 1.9 years.

**Note 6: Taxes on Earnings**

Everett's Benefit for taxes and deferred tax balances have been calculated on a separate return basis as if Everett filed its own tax returns, although its operations have been included in Parent's U.S. federal, state and foreign tax returns. The separate return method applies the accounting guidance for income taxes to the standalone financial statements as if Everett were a separate taxpayer and a standalone enterprise for the periods presented.

*Provision for Taxes*

Everett's effective tax rate was 20.6% and 19.0% for the nine months ended July 31, 2016 and 2015, respectively. Everett's effective tax rate generally differs from the U.S. federal statutory rate of 35% due to the impact of valuation allowances both within the U.S. and certain foreign jurisdictions. In addition there are foreign jurisdictions where the foreign tax rates differ from the U.S. federal statutory rate. Everett has not provided U.S. taxes for all foreign earnings because Everett plans to reinvest certain earnings indefinitely outside the U.S.

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For the nine months ended July 31, 2016, Everett recorded \$123 million of net income tax charges related to items unique to that period. These amounts included a tax charge of \$147 million on restructuring, separation and divestiture related costs. These tax charges were partially offset by \$23 million of income tax benefits related to state tax impacts and other items.

For the nine months ended July 31, 2015, Everett recorded \$78 million of net income tax charges related to items unique to that period, which included \$172 million of income tax charges on restructuring, separation and asset impairment costs, partially offset by \$92 million of income tax benefits related to uncertain tax positions.

*Uncertain Tax Positions*

Everett is subject to income tax in the U.S. and approximately 105 other countries and is subject to routine corporate income tax audits in many of these jurisdictions. In addition, Parent is subject to numerous ongoing audits by federal, state and foreign tax authorities. Everett believes it has provided adequate reserves for all tax deficiencies or reductions in tax benefits that could result from federal, state and foreign tax audits. Everett regularly assesses the likely outcomes of these audits in order to determine the appropriateness of Everett's tax provision. Everett adjusts its uncertain tax positions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular audit. However, income tax audits are inherently unpredictable and there can be no assurance that Everett will accurately predict the outcome of these audits. The amounts ultimately paid on resolution of an audit could be materially different from the amounts previously included in the Benefit for taxes in the Condensed Combined Statements of Operations and therefore the resolution of one or more of these uncertainties in any particular period could have a material impact on net earnings or cash flows.

As of July 31, 2016 and October 31, 2015, the amount of unrecognized tax benefits was \$316 million and \$316 million, respectively, of which up to \$214 million and \$214 million would affect Everett's effective tax rate if realized as of the respective periods.

Everett recognizes interest income from favorable settlements and interest expense and penalties accrued on unrecognized tax benefits in Benefit for taxes in the Condensed Combined Statements of Operations. As of July 31, 2016, Everett had accrued \$60 million for interest and penalties.

Parent engages in continuous discussion and negotiation with taxing authorities regarding tax matters in various jurisdictions. Parent does not expect complete resolution of any U.S. Internal Revenue Service ("IRS") audit cycle within the next 12 months. However, it is reasonably possible that certain federal, foreign and state tax issues may be concluded in the next 12 months, including issues involving transfer pricing and other matters. Accordingly, Everett believes it is reasonably possible that its existing unrecognized tax benefits may be reduced by an amount up to \$28 million within the next 12 months.

*Deferred Tax Assets and Liabilities*

In the first quarter of fiscal 2016, Everett adopted the amendment to the existing accounting standards for income taxes issued by the FASB in November 2015, and elected to apply it on a retrospective basis. As a result, all of Everett's deferred tax assets and liabilities are classified as noncurrent as of July 31, 2016 and retrospectively as of October 31, 2015. See Note 1, "Background and Basis of Presentation," for more details.



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Deferred tax assets and liabilities included in the Condensed Combined Balance Sheets were as follows:

	<b>As of</b>	
	<b>July 31, 2016</b>	<b>October 31, 2015</b>
	<b>In millions</b>	
Long-term deferred tax assets . . . . .	\$132	\$132
Long-term deferred tax liabilities . . . . .	(31)	(31)
Deferred tax assets net of deferred tax liabilities . . . . .	<u>\$101</u>	<u>\$101</u>

**Note 7: Balance Sheet Details**

Balance sheet details were as follows:

*Accounts Receivable*

	<b>As of</b>	
	<b>July 31, 2016</b>	<b>October 31, 2015</b>
	<b>In millions</b>	
Accounts receivable, billed . . . . .	\$2,334	\$2,352
Unbilled receivables . . . . .	976	1,074
Accounts receivable, gross . . . . .	3,310	3,426
Allowance for doubtful accounts . . . . .	(31)	(30)
	<u>\$3,279</u>	<u>\$3,396</u>

The allowance for doubtful accounts related to accounts receivable and changes therein were as follows:

	<b>Nine months ended July 31, 2016</b>
	<b>In millions</b>
Balance at beginning of period . . . . .	\$ 30
Provision for doubtful accounts . . . . .	15
Deductions, net of recoveries . . . . .	(14)
Balance at end of period . . . . .	<u>\$ 31</u>

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*Property, Plant and Equipment*

	As of	
	July 31, 2016	October 31, 2015
	In millions	
Land .....	\$ 135	\$ 151
Buildings and leasehold improvements .....	3,400	3,459
Machinery, equipment and furniture .....	7,141	6,738
	10,676	10,348
Accumulated depreciation .....	(6,462)	(5,861)
	<u>\$ 4,214</u>	<u>\$ 4,487</u>

Depreciation expense for the nine months ended July 31, 2016 and 2015 was \$1.1 billion and \$1.0 billion, respectively. The change in gross property, plant and equipment during the nine months ended July 31, 2016 was primarily due to purchases of \$0.1 billion and acquisitions through capital leases of \$0.8 billion, partially offset by sales and retirements totaling \$0.8 billion. Accumulated depreciation associated with assets sold or retired was \$0.7 billion. The remainder of the change in gross property, plant and equipment and accumulated depreciation was due to currency and other impacts.

**Note 8: Financing Receivables**

Financing receivables represent sales-type and direct-financing leases of HPE and third-party products. These receivables typically have terms ranging from two to five years and are usually collateralized by a security interest in the underlying assets. The components of financing receivables were as follows:

	As of	
	July 31, 2016	October 31, 2015
	In millions	
Minimum lease payments receivable .....	\$ 456	\$ 496
Unearned income .....	(44)	(52)
Financing receivables, net .....	412	444
Less: current portion <sup>(1)</sup> .....	(140)	(151)
Amounts due after one year, net <sup>(1)</sup> .....	<u>\$ 272</u>	<u>\$ 293</u>

- (1) Everett includes the current portion in Financing receivables and amounts due after one year, net in Long-term financing receivables in the accompanying Condensed Combined Balance Sheets.

*Credit Quality Indicators*

Due to the homogenous nature of its leasing transactions, Everett manages its financing receivables on an aggregate basis when assessing and monitoring credit risk. Credit risk is generally diversified due to the large number of entities comprising Everett's customer base and their dispersion across many different industries and geographic regions. Everett evaluates the credit quality of an obligor at lease inception and monitors that credit quality over the term of a transaction.

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**Note 9: Intangible Assets**

Intangible assets were as follows:

	As of July 31, 2016			As of October 31, 2015		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	In millions					
Customer contracts, customer lists and distribution agreements . . . . .	\$3,139	\$(3,107)	\$32	\$3,196	\$(2,866)	\$330

During the nine months ended July 31, 2016, \$57 million of intangible assets became fully amortized and have been eliminated from gross intangible assets and accumulated amortization.

As of July 31, 2016, estimated future amortization expense related to Everett's finite-lived intangible assets was as follows:

<u>Fiscal year</u>	<u>In millions</u>
2016 (remaining 3 months) . . . . .	\$32

**Note 10: Fair Value**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date.

*Fair Value Hierarchy*

Everett uses valuation techniques that are based upon observable and unobservable inputs. Observable inputs are developed using market data such as publicly available information and reflect the assumptions market participants would use, while unobservable inputs are developed using the best information available about the assumptions market participants would use. Assets and liabilities are classified in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2—Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3—Unobservable inputs for the asset or liability.

The fair value hierarchy gives the highest priority to observable inputs and lowest priority to unobservable inputs.

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The following table presents Everett's assets and liabilities that are measured at fair value on a recurring basis:

	As of July 31, 2016				As of October 31, 2015			
	Fair Value Measured Using			Total	Fair Value Measured Using			Total
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
	In millions							
<b>Assets</b>								
Cash Equivalents and Investments:								
Time deposits . . . . .	\$—	\$ 7	\$—	\$ 7	\$—	\$ 18	\$—	\$ 18
Money market funds . . . . .	54	—	—	54	47	—	—	47
Marketable equity securities . . . . .	1	—	—	1	6	1	—	7
Foreign bonds . . . . .	8	103	—	111	8	113	—	121
Other debt securities . . . . .	—	—	8	8	—	—	8	8
Derivative Instruments:								
Foreign exchange contracts . . . . .	—	60	—	60	—	65	—	65
Other derivatives . . . . .	—	1	—	1	—	—	—	—
Total assets . . . . .	<u>\$ 63</u>	<u>\$171</u>	<u>\$ 8</u>	<u>\$242</u>	<u>\$ 61</u>	<u>\$197</u>	<u>\$ 8</u>	<u>\$266</u>
<b>Liabilities</b>								
Derivative Instruments:								
Foreign exchange contracts . . . . .	<u>\$—</u>	<u>\$ 25</u>	<u>\$—</u>	<u>\$ 25</u>	<u>\$—</u>	<u>\$ 16</u>	<u>\$—</u>	<u>\$ 16</u>
Total liabilities . . . . .	<u>\$—</u>	<u>\$ 25</u>	<u>\$—</u>	<u>\$ 25</u>	<u>\$—</u>	<u>\$ 16</u>	<u>\$—</u>	<u>\$ 16</u>

During the nine months ended July 31, 2016 and 2015, there were no material transfers between levels within the fair value hierarchy.

*Valuation Techniques*

Cash Equivalents and Investments: Everett holds time deposits, money market funds, and other debt securities primarily consisting of corporate and foreign government notes and bonds, and common stock and equivalents. Everett values cash equivalents and equity investments using quoted market prices, alternative pricing sources, including net asset value, or models utilizing market observable inputs. The fair value of debt investments was based on quoted market prices or model-driven valuations using inputs primarily derived from or corroborated by observable market data, and, in certain instances, valuation models that utilize assumptions which cannot be corroborated with observable market data. Investments are included in the Condensed Combined Balance Sheets as components of Other current assets and Other assets.

Derivative Instruments: Everett uses forward contracts, interest rate and total return swaps to hedge certain foreign currency and interest rate exposures. Everett uses industry standard valuation models to measure fair value. Where applicable, these models project future cash flows and discount the future amounts to present value using market-based observable inputs, including interest rate curves, Everett and counterparty credit risk, foreign exchange rates, and forward and spot prices for currencies and interest rates. See Note 11, "Financial Instruments," for a further discussion of Everett's use of derivative instruments.

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*Other Fair Value Disclosures*

Short- and Long-Term Debt: Everett estimates the fair value of its debt primarily using an expected present value technique, which is based on observable market inputs using interest rates currently available to companies of similar credit standing to Parent for similar terms and remaining maturities, and considering Parent's credit risk. The estimated fair value of Everett's short- and long-term debt was \$438 million at July 31, 2016, compared to its carrying amount of \$396 million at that date. The estimated fair value of Everett's short- and long-term debt was \$502 million at October 31, 2015, as compared to its carrying value of \$446 million at that date. If measured at fair value in the Condensed Combined Balance Sheets, short- and long-term debt would be classified in Level 2 of the fair value hierarchy.

Other Financial Instruments: For the balance of Everett's financial instruments, primarily accounts receivable, accounts payable and financial liabilities included in Other accrued liabilities, the carrying amounts approximate fair value due to their short maturities. If measured at fair value in the Condensed Combined Balance Sheets, these other financial instruments would be classified in Level 2 or Level 3 of the fair value hierarchy.

Non-Marketable Equity Investments and Non-Financial Assets: Everett's non-marketable equity investments and non-financial assets, such as intangible assets and property, plant and equipment, are recorded at fair value in the period an impairment charge is recognized. If measured at fair value in the Condensed Combined Balance Sheets, these would generally be classified in Level 3 of the fair value hierarchy. During the nine months ended July 31, 2015, Everett determined that it would exit certain data centers. Everett conducted an analysis of the respective asset group to determine if the carrying value was greater than the fair value. As result of this assessment, Everett recorded a \$136 million charge to Impairment of data center assets in the Condensed Combined Statements of Operations.

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**Note 11: Financial Instruments**

*Cash Equivalents and Available-for-Sale Investments*

Cash equivalents and available-for-sale investments were as follows:

	As of July 31, 2016				As of October 31, 2015			
	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	In millions							
<b>Cash Equivalents:</b>								
Time deposits . . . . .	\$ 7	\$—	\$—	\$ 7	\$ 12	\$—	\$—	\$ 12
Money market funds . . . . .	54	—	—	54	47	—	—	47
Total cash equivalents . . . . .	61	—	—	61	59	—	—	59
<b>Available-for-Sale Investments:</b>								
Debt securities:								
Time deposits . . . . .	—	—	—	—	6	—	—	6
Foreign bonds . . . . .	88	23	—	111	91	30	—	121
Other debt securities . . . . .	8	—	—	8	8	—	—	8
Total debt securities . . . . .	96	23	—	119	105	30	—	135
Equity securities:								
Equity securities in public companies . . . . .	1	—	—	1	4	3	—	7
Total equity securities . . . . .	1	—	—	1	4	3	—	7
Total available-for-sale investments . . . . .	97	23	—	120	109	33	—	142
Total cash equivalents and available-for-sale investments . . .	<u>\$158</u>	<u>\$ 23</u>	<u>\$—</u>	<u>\$181</u>	<u>\$168</u>	<u>\$ 33</u>	<u>\$—</u>	<u>\$201</u>

All highly liquid investments with original maturities of three months or less at the date of acquisition are considered cash equivalents. As of July 31, 2016 and October 31, 2015, the carrying amount of cash equivalents approximated fair value due to the short period of time to maturity. Time deposits were primarily issued by institutions outside the U.S. as of July 31, 2016 and October 31, 2015. The estimated fair value of the available-for-sale investments may not be representative of values that will be realized in the future.

Contractual maturities of investments in available-for-sale debt securities were as follows:

	As of July 31, 2016	
	Amortized Cost	Fair Value
	In millions	
Due in more than five years . . . . .	<u>\$96</u>	<u>\$119</u>

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Equity securities in privately held companies include cost basis investments of \$1 million and \$1 million at July 31, 2016 and October 31, 2015, respectively. Equity securities are included in Other assets in the Condensed Combined Balance Sheets.

*Derivative Instruments*

Everett is a global company exposed to foreign currency exchange rate fluctuations and interest rate changes in the normal course of its business. As part of its risk management strategy, Everett uses derivative instruments, primarily forward contracts, interest rate swaps and total return swaps to hedge certain foreign currency, interest rate and, to a lesser extent, equity exposures. Everett's objective is to offset gains and losses resulting from these exposures with losses and gains on the derivative contracts used to hedge them, thereby reducing volatility of earnings or protecting the fair value of assets and liabilities. Everett does not have any leveraged derivatives and does not use derivative contracts for speculative purposes. Everett may designate its derivative contracts as fair value hedges or cash flow hedges. Additionally, for derivatives not designated as hedging instruments, Everett categorizes those economic hedges as other derivatives. Derivative instruments directly attributable to Everett are recognized at fair value in the Condensed Combined Balance Sheets. The change in fair value of the derivative instruments is recognized in the Condensed Combined Statements of Operations or Combined Statements of Comprehensive Loss dependent upon the type of hedge as further discussed below. Everett classifies cash flows from its derivative programs with the activities that correspond to the underlying hedged items in the Condensed Combined Statements of Cash Flows.

As a result of its use of derivative instruments, Everett is exposed to the risk that its counterparties will fail to meet their contractual obligations. To mitigate counterparty credit risk, Everett has a policy of only entering into derivative contracts with carefully selected major financial institutions based on their credit ratings and other factors, and Everett maintains dollar risk limits that correspond to each financial institution's credit rating and other factors. Everett's established policies and procedures for mitigating credit risk include reviewing and establishing limits for credit exposure and periodically reassessing the creditworthiness of its counterparties. Everett participates in Parent's master netting agreements, which further mitigate credit exposure to counterparties by permitting Everett to net amounts due from Everett to a counterparty against amounts due to Everett from the same counterparty under certain conditions.

To further mitigate credit exposure to counterparties, Everett participates in Parent's collateral security agreements, which allow Everett to hold collateral from, or require Everett to post collateral to, counterparties when aggregate derivative fair values exceed contractually established thresholds which are generally based on the credit ratings of Parent and its counterparties. If Parent's credit rating falls below a specified credit rating, the counterparty has the right to request full collateralization of the derivatives' net liability position. Conversely, if the counterparty's credit rating falls below a specified credit rating, the Parent has the right to request full collateralization of the derivatives' net liability position. Collateral is generally posted within two business days.

Under Everett's derivative contracts, the counterparty can terminate all outstanding trades following a covered change of control event affecting Parent that results in the surviving entity being rated below a specified credit rating. This credit contingent provision did not affect Everett's financial position or cash flows as of July 31, 2016 or October 31, 2015.

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*Cash Flow Hedges*

Everett uses forward contracts designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in its forecasted net revenue and, to a lesser extent, cost of revenue, operating expenses, and intercompany loans denominated in currencies other than the U.S. dollar. Everett's foreign currency cash flow hedges mature generally within twelve months; however, forward contracts associated with intercompany loans extend for the duration of the loan term, which typically range from two to five years.

For derivative instruments that are designated and qualify as cash flow hedges, Everett initially records changes in fair value for the effective portion of the derivative instrument in Accumulated other comprehensive loss as a separate component of equity in the Condensed Combined Balance Sheets and subsequently reclassifies these amounts into earnings in the period during which the hedged transaction is recognized in earnings. Everett reports the effective portion of its cash flow hedges in the same financial statement line item as changes in the fair value of the hedged item.

*Other Derivatives*

Other derivatives not designated as hedging instruments consist primarily of forward contracts used to hedge foreign currency-denominated balance sheet exposures. Everett also uses total return swaps and, to a lesser extent, interest rate swaps, based on equity or fixed income indices, to hedge its executive deferred compensation plan liability.

For derivative instruments not designated as hedging instruments, Everett recognizes changes in fair value of the derivative instrument, as well as the offsetting change in the fair value of the hedged item, in Interest and other, net, in the Condensed Combined Statements of Operations in the period of change.

*Hedge Effectiveness*

For forward contracts designated as cash flow hedges, Everett measures hedge effectiveness by comparing the cumulative change in fair value of the hedge contract with the cumulative change in fair value of the hedged item, both of which are based on forward rates. Everett recognizes any ineffective portion of the hedge in the Condensed Combined Statements of Operations in the same period in which ineffectiveness occurs. Amounts excluded from the assessment of effectiveness are recognized in the Condensed Combined Statements of Operations in the period they arise.



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*Fair Value of Derivative Instruments in the Condensed Combined Balance Sheets*

The gross notional and fair value of derivative instruments in the Condensed Combined Balance Sheets was as follows:

	As of July 31, 2016					As of October 31, 2015				
	Fair Value					Fair Value				
	Outstanding Gross Notional	Other Current Assets	Other Assets	Other Accrued Liabilities	Long-Term Other Liabilities	Outstanding Gross Notional	Other Current Assets	Other Assets	Other Accrued Liabilities	Long-Term Other Liabilities
	In millions									
Derivatives designated as hedging instruments										
Cash flow hedges:										
Foreign exchange										
contracts . . . . .	\$1,672	\$51	\$ 9	\$ 19	\$ 6	\$1,913	\$ 57	\$ 8	\$ 13	\$ 3
Total derivatives designated as hedging instruments . . . . .	1,672	51	9	19	6	1,913	57	8	13	3
Derivatives not designated as hedging instruments										
Other derivatives . . . . .	24	1	—	—	—	17	—	—	—	—
Total derivatives not designated as hedging instruments . . . . .	24	1	—	—	—	17	—	—	—	—
Total derivatives . . . . .	\$1,696	\$52	\$ 9	\$ 19	\$ 6	\$1,930	\$ 57	\$ 8	\$ 13	\$ 3

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*Offsetting of Derivative Instruments*

Everett recognizes all derivative instruments on a gross basis in the Condensed Combined Balance Sheets. Everett participates in Parent's master netting arrangements and collateral security arrangements. Everett does not offset the fair value of its derivative instruments against the fair value of cash collateral posted under Parent's collateral security agreements. As of July 31, 2016 and October 31, 2015, information related to the potential effect of Everett's use of Parent's master netting agreements and collateral security agreements was as follows:

As of July 31, 2016					
In the Condensed Combined Balance Sheets					
	(i) Gross Amount Recognized	(ii) Gross Amount Offset	(iii) = (i)-(ii) Net Amount Presented	(iv) Gross Amounts Not Offset	(v) = (iii)-(iv) Net Amount
	In millions				
Derivative assets . . . . .	\$61	\$—	\$61	\$21	\$40
Derivative liabilities . . . . .	\$25	\$—	\$25	\$21	\$ 4

As of October 31, 2015					
In the Condensed Combined Balance Sheets					
	(i) Gross Amount Recognized	(ii) Gross Amount Offset	(iii) = (i)-(ii) Net Amount Presented	(iv) Gross Amounts Not Offset	(v) = (iii)-(iv) Net Amount
	In millions				
Derivative assets . . . . .	\$65	\$—	\$65	\$13	\$52
Derivative liabilities . . . . .	\$16	\$—	\$16	\$13	\$ 3

*Effect of Derivative Instruments on the Condensed Combined Statements of Operations*

The pre-tax effect of derivative instruments in cash flow hedging relationships for the nine months ended July 31, 2016 and 2015 were as follows:

	Gain (Loss) Recognized In OCI on Derivatives (Effective Portion)			Gain (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)	
	Nine months ended July 31			Nine months ended July 31	
	2016	2015	Location	2016	2015
	In millions			In millions	
Cash flow hedges:					
Foreign exchange contracts . . .	\$31	\$101	Net revenue	\$48	\$85
Foreign exchange contracts . . .	<u>3</u>	<u>(2)</u>	Cost of revenue	<u>(1)</u>	<u>5</u>
Total cash flow hedges . . . . .	\$34	\$ 99		\$47	\$90

As of July 31, 2016 and 2015, no portion of the hedging instruments' gain or loss was excluded from the assessment of effectiveness for cash flow hedges. Hedge ineffectiveness for cash flow hedges was not material in the nine months ended July 31, 2016 and 2015.

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As of July 31, 2016, Everett expects to reclassify an estimated net Accumulated other comprehensive gain of approximately \$35 million, net of taxes, to earnings in the next twelve months along with the earnings effects of the related forecasted transactions associated with cash flow hedges.

Derivative instruments not designated as hedging instruments had zero effect in the Condensed Combined Statements of Operations for the nine months ended July 31, 2016 and 2015.

**Note 12: Borrowings and Capital Lease Obligations**

*Notes Payable and Short-Term Borrowings*

Notes payable and short-term borrowings, including the current portion of long-term debt, were as follows:

	As of			
	July 31, 2016		October 31, 2015	
	Amount Outstanding	Weighted-Average Interest Rate	Amount Outstanding	Weighted-Average Interest Rate
	In millions		In millions	
Current portion of long-term debt . . . . .	\$1	0.0%	\$48	4.3%
Notes payable to banks . . . . .	1	1.5%	1	1.5%
Total notes payable and short-term borrowings . . . . .	<u>\$2</u>		<u>\$49</u>	

*Long-Term Debt*

	As of	
	July 31, 2016	October 31, 2015
	In millions	
EDS Senior Notes <sup>(1)</sup>		
\$300 issued October 1999 at 7.45%, due October 2029 . . . . .	\$312	\$313
Other at 0.00%-7.45%, due in calendar years 2016-2023 . . . . .	83	132
Less: current portion . . . . .	(1)	(48)
Total long-term debt . . . . .	<u>\$394</u>	<u>\$397</u>

- (1) Everett may redeem the EDS Senior Notes at any time in accordance with the terms thereof. The EDS Senior Notes are senior unsecured debt.

Interest expense on borrowings recognized in the Condensed Combined Statements of Operations was as follows:

Expense	Location	Nine months ended July 31	
		2016	2015
		In millions	
Interest expense . . . . .	Interest and other, net	<u>\$24</u>	<u>\$19</u>

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*Capital Lease Obligations*

Capital lease obligations of \$2.392 billion and \$2.388 billion at July 31, 2016 and October 31, 2015, respectively, primarily consist of contractual arrangements with Parent's wholly-owned subsidiary, HPE Financial Services.

**Note 13: Related Party Transactions and Parent Company Investment**

*Intercompany Revenue and Purchases*

During the nine months ended July 31, 2016 and 2015, Everett sold services to other businesses of Parent in the amount of \$29 million and \$18 million, respectively.

During the nine months ended July 31, 2016 and 2015, Everett purchased products and services from other businesses of Parent in the amount of \$587 million and \$579 million, respectively. These intercompany purchases exclude leases with Parent's wholly-owned leasing subsidiary, which are discussed in Note 1, "Background and Basis of Presentation" and Note 12, "Borrowings and Capital Lease Obligations."

*Allocation of Corporate Expenses*

The Condensed Combined Statements of Operations and Comprehensive Loss include an allocation of general corporate expenses from Parent for certain management and support functions which are provided on a centralized basis within Parent. These management and support functions include, but are not limited to, executive management, finance, legal, information technology, employee benefits administration, treasury, risk management, procurement and other shared services. These allocations were made on a direct usage basis when identifiable, with the remainder allocated on the basis of revenue, expenses, headcount or other relevant measures. These allocations were \$1.2 billion and \$1.3 billion for the nine months ended July 31, 2016 and 2015, respectively.

Management of Everett and Parent consider these allocations to be a reasonable reflection of the utilization of services by, or the benefits provided to, Everett. These allocations may not, however, reflect the expense Everett would have incurred as a standalone company for the periods presented. Actual costs that may have been incurred if Everett had been a standalone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

*Parent Company Investment*

Parent company investment on the Condensed Combined Balance Sheets and Statements of Equity represents Parent's historical investment in Everett, the net effect of transactions with and allocations from Parent and Everett's accumulated earnings.

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*Net Transfers from Parent*

Net transfers from Parent are included within Parent company investment. The components of the Net transfers from Parent on the Condensed Combined Statements of Equity for the nine month periods ended July 31, 2016 and 2015 were as follows:

	Nine months ended July 31	
	2016	2015
	In millions	
Intercompany revenue . . . . .	\$ (29)	\$ (18)
Intercompany purchases . . . . .	587	579
Cash pooling and general financing activities . . . . .	(717)	(828)
Corporate allocations . . . . .	1,221	1,325
Income taxes . . . . .	(141)	(328)
Other . . . . .	(65)	(5)
Total net transfers from Parent per Condensed Combined Statements of Equity . . . . .	<u>\$ 856</u>	<u>\$ 725</u>

A reconciliation of Net transfers from Parent in the Condensed Combined Statements of Equity to the corresponding amount presented on the Condensed Combined Statements of Cash Flows for the nine month periods ended July 31, 2016 and 2015 were as follows:

	Nine months ended July 31	
	2016	2015
	In millions	
Net transfers from Parent per Condensed Combined Statements of Equity . . . . .	\$ 856	\$ 725
Income taxes refunded to Parent . . . . .	12	24
Restructuring . . . . .	(25)	(24)
Stock-based compensation . . . . .	(151)	(151)
Other non-cash items . . . . .	(320)	(398)
Total net transfers from Parent per Condensed Combined Statements of Cash Flows . . . .	<u>\$ 372</u>	<u>\$ 176</u>

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**Note 14: Other Comprehensive Income (Loss)**

*Taxes related to Other Comprehensive Income*

	<b>Nine months ended July 31</b>	
	<b>2016</b>	<b>2015</b>
	<b>In millions</b>	
Taxes on change in net unrealized losses on available-for-sale securities:		
Tax benefit on net unrealized losses arising during the period . . . . .	\$ 1	\$—
Tax provision on net gains reclassified into earnings . . . . .	<u>1</u>	<u>—</u>
	2	—
Taxes on change in net unrealized (losses) gains on cash flow hedges:		
Tax benefit (provision) on net unrealized gains arising during the period . . . . .	6	(5)
Tax provision on net gains reclassified into earnings . . . . .	<u>1</u>	<u>6</u>
	7	1
Taxes on change in unrealized components of defined benefit plans:		
Tax provision on amortization of actuarial loss and prior service benefit . . . . .	<u>(5)</u>	<u>(7)</u>
	(5)	(7)
Tax benefit (provision) on other comprehensive income . . . . .	<u>\$ 4</u>	<u>\$ (6)</u>

*Changes and reclassifications related to Other comprehensive income, net of taxes*

	<b>Nine months ended July 31</b>	
	<b>2016</b>	<b>2015</b>
	<b>In millions</b>	
Other comprehensive income, net of taxes:		
Change in net unrealized losses on available-for-sale securities:		
Net unrealized losses arising during the period . . . . .	\$ (7)	\$ (2)
Net gains reclassified into earnings . . . . .	<u>(1)</u>	<u>—</u>
	(8)	(2)
Change in net unrealized (losses) gains on cash flow hedges:		
Net unrealized gains arising during the period . . . . .	40	94
Net gains reclassified into earnings <sup>(1)</sup> . . . . .	<u>(46)</u>	<u>(84)</u>
	(6)	10
Change in unrealized components of defined benefit plans:		
Losses arising during the period . . . . .	(2)	(3)
Amortization of actuarial loss and prior service benefit <sup>(2)</sup> . . . . .	59	94
Curtailments, settlements and other . . . . .	<u>—</u>	<u>4</u>
	57	95
Change in cumulative translation adjustment . . . . .	<u>(5)</u>	<u>—</u>
Other comprehensive income, net of taxes . . . . .	<u>\$ 38</u>	<u>\$103</u>

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- (1) Reclassification of pre-tax (gains) losses on cash flow hedges into the Condensed Combined Statements of Operations was as follows:

	<b>Nine months ended July 31</b>	
	<b>2016</b>	<b>2015</b>
	<b>In millions</b>	
Net revenue . . . . .	\$(48)	\$(85)
Cost of revenue . . . . .	<u>1</u>	<u>(5)</u>
	<u><u>\$(47)</u></u>	<u><u>\$(90)</u></u>

- (2) These components are included in the computation of net pension benefit cost in Note 4, "Retirement and Post-Retirement Benefit Plans."

The components of Accumulated other comprehensive loss, net of taxes as of July 31, 2016, and changes therein were as follows:

	<b>Net unrealized gains (losses) on available-for-sale securities</b>	<b>Net unrealized gains (losses) on cash flow hedges</b>	<b>Unrealized components of defined benefit plans</b>	<b>Cumulative translation adjustment</b>	<b>Accumulated other comprehensive loss</b>
	<b>In millions</b>				
Balance at beginning of period . . . . .	\$31	\$ 45	\$(1,539)	\$(699)	\$(2,162)
Other comprehensive (loss) income before reclassifications . . . . .	(7)	40	(2)	(5)	26
Reclassifications of (gains) losses into earnings . . . . .	<u>(1)</u>	<u>(46)</u>	<u>59</u>	<u>—</u>	<u>12</u>
Balance at end of period . . . . .	<u><u>\$23</u></u>	<u><u>\$ 39</u></u>	<u><u>\$(1,482)</u></u>	<u><u>\$(704)</u></u>	<u><u>\$(2,124)</u></u>

**Note 15: Litigation and Contingencies**

Everett is involved in various lawsuits, claims, investigations and proceedings including those consisting of IP, commercial, securities, employment, employee benefits and environmental matters, which arise in the ordinary course of business. The Separation and Distribution Agreement includes provisions that allocate liability and financial responsibility for litigation involving HPE and Everett, collectively the parties, as well as providing for cross-indemnification of the parties against liabilities to one party arising out of liabilities allocated to the other party. In addition, as part of the Separation and Distribution Agreement, HPE and Everett have agreed to cooperate with each other in managing litigation that relates to both parties' businesses. The Separation and Distribution Agreement also contains provisions that allocate liability and financial responsibility for such litigation relating to both parties' businesses. Everett records a liability when it believes that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Significant judgment is required to determine both the probability of having incurred a liability and the estimated amount of the liability. Everett reviews these matters at least quarterly and adjusts these liabilities to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other updated information and events pertaining to a particular matter. Litigation is inherently unpredictable. However, Everett believes it has valid defenses with respect to

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legal matters pending against it. Nevertheless, cash flows or results of operations could be materially affected in any particular period by the resolution of one or more of these contingencies. Everett believes it has recorded adequate provisions for any such matters and, as of July 31, 2016, it was not reasonably possible that a material loss had been incurred in connection with such matters in excess of the amounts recognized in its financial statements.

*Litigation, Proceedings and Investigations*

*Cisco Systems.* On August 21, 2015, Cisco Systems, Inc. (“Cisco”) and Cisco Systems Capital Corporation (“Cisco Capital”) filed an action in Santa Clara County Superior Court for declaratory judgment and breach of contract against HP Inc. in connection with a dispute arising out of a third-party’s termination of a services contract with HP Inc. As part of that third-party services contract, HP Inc. separately contracted with Cisco on an agreement to utilize Cisco products and services. HP Inc. prepaid the entire amount due Cisco through a financing arrangement with Cisco Capital. Following the termination of HP Inc.’s services contract with the third-party, HP Inc. no longer required Cisco’s products and services, and, accordingly, exercised its contractual termination rights under the agreement with Cisco, and requested that Cisco apply the appropriate credit toward the remaining balance owed Cisco Capital. This lawsuit relates to the calculation of that credit under the agreement between Cisco and HP Inc. Cisco contends that after the credit is applied, HP Inc. still owes Cisco Capital approximately \$58 million. HP Inc. contends that under a proper reading of the agreement, HP Inc. owes nothing to Cisco Capital, and that Cisco owes significant amounts to HP Inc. On December 18, 2015, the court held a status conference at which it lifted the responsive pleading and discovery stay. Following the conference, Cisco filed an amended complaint that abandons the claim for breach of contract set forth in the original complaint, and asserts a single cause of action for declaratory relief concerning the proper calculation of the cancellation credit. On January 19, 2016, HP Inc. filed a counterclaim for breach of contract simultaneously with its answer to the amended complaint. Following a July 12, 2016 case management conference, the court extended the deadline to complete fact discovery to November 4, 2016. Expert discovery is scheduled to be completed by February 17, 2017.

*Washington, DC Navy Yard Litigation:* In December 2013, HP Enterprise Services, LLC (“HPES”) was named in a lawsuit arising out of the September 2013 Washington, DC Navy Yard shooting that resulted in the deaths of twelve individuals. The perpetrator was an employee of The Experts, HPES’s now-terminated subcontractor on its IT services contract with the U.S. Navy. This action was filed in the Middle District of Florida by the estate of a deceased victim, asserting claims for negligence against HPES, The Experts, and the U.S. Navy. The court dismissed the plaintiff’s claims against the U.S. Navy but did not decide the motions to dismiss of HPES or The Experts. On February 11, 2015, the action was transferred to the United States District Court for the District of Columbia. An additional eight lawsuits were filed against HPES in 2015. Accordingly, a total of nine lawsuits have now been filed against HPES in connection with the Washington, DC Navy Yard shooting, all of which are now pending with the original action in the United States District Court for the District of Columbia. Pursuant to a coordinated schedule, defendants filed motions to dismiss all of the complaints on December 11, 2015. Plaintiffs’ oppositions to defendants’ motion to dismiss were filed on February 12, 2016. On August 16, 2016, the court held a hearing on defendants’ motion to dismiss. The court took the motion under submission.

*Forsyth, et al. vs. HP Inc. and Hewlett Packard Enterprise:* This purported class and collective action was filed on August 18, 2016 in the United States District Court for the Northern District of California, against HP Inc. and Hewlett Packard Enterprise alleging defendants violated the Federal Age Discrimination in Employment



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Act (ADEA), the California Fair Employment and Housing Act, California public policy and the California Business and Professions Code by terminating older workers and replacing them with younger workers. Plaintiffs seek to certify a nationwide collective action under the ADEA comprised of all U.S. residents employed by defendants who had their employment terminated pursuant to a WFR plan on or after May 23, 2012, and who were 40 years of age or older at the time of termination. Plaintiffs also seek to represent a Rule 23 class under California law comprised of all persons 40 years or older employed by defendants in the state of California and terminated pursuant to a WFR plan on or after May 23, 2012.

*Environmental*

Everett's operations and products are or may in the future become subject to various federal, state, local and foreign laws and regulations concerning environmental protection, including laws addressing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, the clean-up of contaminated sites, the substances and materials used in Everett's products, the energy consumption of products, services and operations and the operational or financial responsibility for recycling, treatment and disposal of those products. This includes legislation that makes producers of electrical goods, including servers and networking equipment, financially responsible for specified collection, recycling, treatment and disposal of past and future covered products (sometimes referred to as "product take-back legislation"). Everett could incur substantial costs, its products could be restricted from entering certain jurisdictions, and it could face other sanctions, if it were to violate or become liable under environmental laws or if its products become non-compliant with environmental laws. Everett's potential exposure includes impacts on revenue, fines and civil or criminal sanctions, third-party property damage or personal injury claims and clean-up costs. The amount and timing of costs to comply with environmental laws are difficult to predict.

In particular, Everett may become a party to, or otherwise involved in, proceedings brought by U.S. or state environmental agencies under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), known as "Superfund," or other federal, state or foreign laws and regulations addressing the clean-up of contaminated sites, and may become a party to, or otherwise involved in, proceedings brought by private parties for contribution towards clean-up costs. Everett is also contractually obligated to make financial contributions to address actions related to certain environmental liabilities, both ongoing and arising in the future, pursuant to its separation and distribution agreement with HP Inc.

**Note 16: Guarantees and Indemnifications**

*Guarantees*

In the ordinary course of business, Everett may issue performance guarantees to certain of its clients, customers and other parties pursuant to which Everett has guaranteed the performance obligations of third parties. Some of those guarantees may be backed by standby letters of credit or surety bonds. In general, Everett would be obligated to perform over the term of the guarantee in the event a specified triggering event occurs as defined by the guarantee. Everett believes the likelihood of having to perform under a material guarantee is remote.

Everett has entered into service contracts with certain of its clients that are supported by financing arrangements. If a service contract is terminated as a result of Everett's non-performance under the contract or failure to comply with the terms of the financing arrangement, Everett could, under certain circumstances, be

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required to acquire certain assets related to the service contract. Everett believes the likelihood of having to acquire a material amount of assets under these arrangements is remote.

*Indemnifications*

In the ordinary course of business, Everett enters into contractual arrangements under which Everett may agree to indemnify a third party to such arrangement from any losses incurred relating to the services they perform on behalf of Everett or for losses arising from certain events as defined within the particular contract, which may include, for example, litigation or claims relating to past performance. Everett also provides indemnifications to certain vendors and customers against claims of intellectual property infringement made by third parties arising from the use by vendors and customers of Everett's software products and services and certain other matters. Some indemnifications may not be subject to maximum loss clauses. Historically, payments made related to these indemnifications have been immaterial.

**Note 17: Subsequent Events**

Everett evaluated subsequent events for recognition or disclosure through October 31, 2016, the date Condensed Combined Financial Statements were available to be issued.

**Annex A**  
**Opinion of RBC Capital Markets, LLC**

May 23, 2016

The Board of Directors  
Computer Sciences Corporation  
1775 Tysons Boulevard  
Tysons, Virginia 22102

The Board of Directors:

You have requested our opinion as to the fairness, from a financial point of view, to Computer Sciences Corporation, a Nevada corporation (“CSC”), of the Merger Consideration (defined below) to be paid by CSC pursuant to the terms and subject to the conditions set forth in an Agreement and Plan of Merger (the “Merger Agreement”) proposed to be entered into among Hewlett Packard Enterprise Company, a Delaware corporation (“HPE”), Everett SpinCo, Inc., a Delaware corporation and wholly owned subsidiary of HPE (“Everett”), CSC and Everett Merger Sub Inc., a Delaware corporation and newly formed, wholly owned subsidiary of CSC (“Merger Sub”). As more fully described in the Merger Agreement and after giving effect to the Related Transactions (defined below), unless an alternative transaction structure is effected, CSC and HPE will effect a business combination of CSC and the enterprise services business of HPE and its subsidiaries other than HPE’s business of providing software and related services that enable and support various aspects of operations for telecommunications providers (such portion of the enterprise services business of HPE and its subsidiaries to be acquired, the “Business”) in which Merger Sub will be merged with and into Everett (the “Merger”). As more fully described in the Merger Agreement and as further described to us by representatives of CSC, pursuant to the Merger, the outstanding shares of the common stock, par value \$0.01 per share, of Everett (“Everett Common Stock”) will be converted into the right to receive an aggregate of 139,234,701 shares of the common stock, par value \$1.00 per share, of CSC (“CSC Common Stock” and such aggregate number of shares of CSC Common Stock so issuable in the Merger, the “Merger Consideration”), subject to certain adjustments (as to which we express no opinion) as specified in the Merger Agreement, including any required adjustment such that holders of Everett Common Stock will receive shares of CSC Common Stock representing 50.1% of the outstanding shares of CSC Common Stock upon consummation of the Merger.

We understand that, pursuant to the Merger Agreement and a Separation and Distribution Agreement (the “Separation Agreement” and, together with the Merger Agreement, the “Agreements”) proposed to be entered into between HPE and Everett, (i) prior to consummation of the Merger, HPE will effect an internal reorganization pursuant to which, among other things, certain of the assets held, owned or used by HPE and its subsidiaries to conduct the Business will be transferred to, and certain liabilities associated with the Business will be assumed by, Everett and its subsidiaries (such reorganization, together with the other reorganization steps contemplated by the Separation Agreement, the “Internal Reorganization”), (ii) in connection with the Internal Reorganization, certain debt financings will be undertaken (the “Financings”) and, after receipt of the proceeds from such Financings, Everett will transfer certain debt of Everett to HPE which will be exchanged for outstanding debt of HPE and will distribute a cash dividend to HPE as specified in the Separation Agreement (the “Everett Payment”) and (iii) concurrently with or following the consummation of the Internal Reorganization and the Everett Payment and prior to consummation of the Merger, all of the outstanding shares of Everett Common Stock will be capitalized as contemplated by the Agreements and distributed by HPE to holders of the common stock of HPE through a pro rata dividend, exchange offer or a combination thereof (such capitalization and distribution, together with the Internal Reorganization, the Financings, the Everett Payment and the other

transactions contemplated by the Agreements (other than the Merger), the “Related Transactions”). We also have been advised that, in connection with the Merger and the Related Transactions, certain tax, transition services, employee, preferred vendor, intellectual property, cost structure protection and other related agreements and arrangements will be entered into among HPE, Everett, CSC and/or certain of their respective subsidiaries (such agreements, the “Related Agreements”). The terms and conditions of the Merger and the Related Transactions are set forth more fully in the Agreements and the Related Agreements.

RBC Capital Markets, LLC (“RBCCM”), as part of our investment banking services, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, corporate restructurings, underwritings, secondary distributions of listed and unlisted securities, private placements, and valuations for corporate and other purposes. In the ordinary course of business, RBCCM or one or more of our affiliates may act as a market maker and broker in the publicly traded securities of CSC, HPE, Everett and/or any other entity that may be involved in the Merger and the Related Transactions or their respective affiliates and receive customary compensation in connection therewith, and may also actively trade securities of CSC, HPE, Everett and/or any other entity that may be involved in the Merger and the Related Transactions or their respective affiliates for our or our affiliates’ own account and the accounts of our or our affiliates’ customers and, accordingly, RBCCM and our affiliates may hold a long or short position in such securities.

We are acting as financial advisor to CSC in connection with the Merger and the Related Transactions and we will receive a fee for our services, a portion of which is payable upon delivery of this opinion and the principal portion of which is contingent upon consummation of the Merger. CSC also has agreed to indemnify us for certain liabilities that may arise out of our engagement and to reimburse us for expenses reasonably incurred in connection with our services. As you are aware, at CSC’s request, RBCCM and certain of our affiliates expect to participate in certain financings to be undertaken in connection with the Merger and the Related Transactions, for which services RBCCM and such affiliates will receive compensation, including acting as joint lead arranger for, and as a lender under, such financings. As you also are aware, RBCCM and certain of our affiliates in the past have provided and currently are providing investment banking, commercial banking and financial advisory services to CSC, HPE and certain of their respective affiliates unrelated to the proposed Merger and the Related Transactions, for which services RBCCM and our affiliates have received and expect to receive customary compensation, including having acted or acting as (i) in the case of CSC, (a) financial advisor to CSC in connection with its spin-off of CSRA Inc. and (b) co-syndication agent or co-documentation agent for, and as a lender under, certain credit facilities of CSC and (ii) in the case of HPE, a lender under a credit facility of HPE. RBCCM and our affiliates in the future may provide investment banking, commercial banking and financial advisory services to CSC, HPE, Everett and/or their respective affiliates, for which services RBCCM and such affiliates would expect to receive compensation.

For the purposes of rendering our opinion, we have undertaken such review, inquiries and analyses as we deemed necessary or appropriate under the circumstances, including the following: (i) we reviewed the financial terms of drafts, each dated May 22, 2016, of the Agreements; (ii) we reviewed certain publicly available financial and other information, and certain historical operating data, with respect to CSC made available to us from published sources and internal records of CSC; (iii) we reviewed certain publicly available financial and other information, and certain historical operating data, with respect to the Business made available to us from published sources and internal records of HPE; (iv) we reviewed financial projections and other estimates and data relating to CSC and the Business prepared by the respective managements of CSC and HPE, including alternative financial projections and other estimates and data relating to the Business prepared by the management of CSC that we have been directed to utilize in our analyses; (v) we conducted discussions with members of the senior managements of CSC and HPE with respect to the respective businesses, prospects and financial outlook of CSC and the Business and also held discussions with members of the senior managements of CSC and HPE regarding

the strategic rationale and potential cost savings, revenue enhancements and other benefits anticipated by such managements to be realized in the Merger and the Related Transactions (collectively, the “Synergies”); (vi) we reviewed the reported prices and trading activity for CSC Common Stock; (vii) we compared certain financial metrics of CSC and the Business with those of selected publicly traded companies in lines of businesses that we considered generally relevant in evaluating CSC and the Business; and (viii) we considered other information and performed other studies and analyses as we deemed appropriate.

In arriving at our opinion, we employed several analytical methodologies and no one method of analysis should be regarded as critical to the overall conclusion we have reached. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the value of particular techniques. The overall conclusion we have reached is based on all analyses and factors presented, taken as a whole, and also on application of our own experience and judgment. Such conclusion may involve significant elements of subjective judgment and qualitative analysis. We therefore give no opinion as to the value or merit standing alone of any one or more portions of such analyses or factors.

In rendering our opinion, we have assumed and relied upon the accuracy and completeness of all information that was reviewed by us, including all of the financial, legal, tax, accounting, operating and other information provided to or discussed with us by or on behalf of CSC or HPE (including, without limitation, financial statements and related notes), and upon the assurances of the respective managements and other representatives of CSC and HPE that they are not aware of any relevant information that has been omitted or that remains undisclosed to us. We have not assumed responsibility for independently verifying and have not independently verified such information. We also have assumed that the financial projections and other estimates and data (including with respect to potential Synergies) that we were directed to utilize in our analyses were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments as to the future financial performance of, and are a reasonable basis upon which to evaluate, CSC, the Business, the potential Synergies and the other matters covered thereby and we further have assumed that the financial results reflected therein will be realized in the amounts and at the times projected. We express no opinion as to any such financial projections and other estimates or data (including with respect to potential Synergies) or the assumptions upon which they are based. We have been advised that an audit of the financial statements relating to the Business and Everett has not yet been completed and we have assumed that, upon completion, such final audited financial statements will not reflect any information that would be meaningful in any respect to our analyses or opinion. We have relied upon the assessments of the managements of CSC and HPE as to, among other things, (i) the Related Transactions, including with respect to the timing thereof and assets, liabilities and financial and other terms involved, (ii) the potential impact on CSC and the Business of market, competitive and other trends and developments in and prospects for, and governmental, regulatory and legislative matters relating to or otherwise affecting, the industries in which CSC and the Business operate, including the potential impact of regulations, audits and cost adjustments by the U.S. government, (iii) existing and future relationships, agreements and arrangements with, and the ability to attract, retain and/or replace, key vendors, employees, customers and other commercial relationships of CSC and the Business and (iv) the ability to integrate the operations of CSC and the Business. We have assumed, with your consent, that there will be no developments with respect to any such matters, adjustments to the Merger Consideration or alternative transaction structures that would have an adverse effect on CSC, Everett (including the Business), the Merger or the Related Transactions (including the contemplated benefits thereof) or that would otherwise be meaningful in any respect to our analyses or opinion. We also have relied on estimates of the management of CSC as to the capitalization of CSC and Everett, including as to the number of fully diluted shares of CSC Common Stock and Everett Common Stock as of the effective time of the Merger and we have assumed that such number of shares will not vary in any respect that would be meaningful to our analyses or opinion.

In rendering our opinion, we have not assumed any responsibility to perform, and we have not performed, an independent evaluation or appraisal of any of the assets or liabilities (contingent, off-balance sheet, derivative or otherwise) of CSC, Everett (including the Business) or any other entity or business, and we have not been furnished with any such valuations or appraisals. We have not assumed any obligation to conduct, and we have not conducted, any physical inspection of the property or facilities of CSC, Everett (including the Business) or any other entity or business. We have not evaluated the solvency or fair value of CSC, Everett (including the Business) or any other entity or business under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. We have assumed that the Merger and the Related Transactions will be consummated in accordance with the terms of the Agreements and in compliance with all applicable laws, documents and other requirements, without waiver, modification or amendment of any material term, condition or agreement, and that, in the course of obtaining the necessary governmental, regulatory or third party approvals, consents, releases, waivers and agreements for the Merger and the Related Transactions, no delay, limitation, restriction or condition will be imposed or occur, including any divestiture or other requirements, that would have an adverse effect on CSC, Everett (including the Business), the Merger or the Related Transactions (including the contemplated benefits thereof) or that would otherwise be meaningful in any respect to our analyses or opinion. We also have assumed that the Merger and the Related Transactions will qualify, as applicable, for the intended tax treatment contemplated by the Agreements. We further have assumed that Everett will retain or acquire all assets, properties and rights necessary for the operations of the Business, that appropriate reserves, indemnification arrangements or other provisions have been made with respect to liabilities of or relating to Everett (including the Business) that will be assumed in connection with the Merger and the Related Transactions, and that Everett will not directly or indirectly assume or incur any liabilities that are contemplated to be excluded as a result of the Merger, the Related Transactions or otherwise. In addition, we have assumed that the final executed Agreements will not differ, in any respect that would be meaningful to our analyses or opinion, from the drafts of the Agreements we reviewed.

Our opinion speaks only as of the date hereof, is based on conditions as they exist and information which we have been supplied as of the date hereof, and is without regard to any market, economic, financial, legal or other circumstances or event of any kind or nature which may exist or occur after such date. We have not undertaken to reaffirm or revise this opinion or otherwise comment upon events occurring after the date hereof and we do not have an obligation to update, revise or reaffirm this opinion. As you are aware, the credit, financial and stock markets, and the industries in which CSC, HPE and their respective affiliates operate, have experienced and continue to experience volatility and we express no opinion or view as to any potential effects of such volatility on CSC, Everett (or their respective businesses), the Merger or any Related Transactions (including the contemplated benefits thereof). Our opinion, as set forth herein, relates to the relative values of CSC and Everett (including the Business). We are not expressing any opinion as to what the value of CSC Common Stock or any other securities actually will be when issued or distributed or the price or range of prices at which CSC Common Stock or any other securities may trade or otherwise be transferable at any time, including following announcement or consummation of the Merger and the Related Transactions.

The advice (written or oral) of RBCCM and our opinion expressed herein is provided for the benefit, information and assistance of the Board of Directors of CSC (in its capacity as such) in connection with its evaluation of the proposed Merger. We express no opinion and make no recommendation to any stockholder as to how such stockholder should vote or act with respect to any proposal to be voted upon in connection with the Merger, any Related Transactions or otherwise.

Our opinion addresses only the fairness, from a financial point of view and as of the date hereof, to CSC of the Merger Consideration (to the extent expressly specified herein). Our opinion does not in any way address any



The Board of Directors  
Computer Sciences Corporation  
May 23, 2016  
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Related Transactions or any other terms, conditions, implications or other aspects of the Merger, the Agreements or any Related Agreements, including, without limitation, the form or structure of the Merger and the Related Transactions or any adjustment, indemnification or other agreement, arrangement or understanding to be entered into in connection with or contemplated by the Merger, the Related Transactions or otherwise. Our opinion also does not address the underlying business decision of CSC to engage in the Merger or any Related Transactions or the relative merits of the Merger or any Related Transactions compared to any alternative business strategy or transaction that may be available to CSC or in which CSC might engage. We do not express any opinion or view with respect to, and we have relied upon the assessments of CSC and its representatives regarding, legal, regulatory, tax, accounting and similar matters, as to which we understand that CSC has obtained such advice as it deemed necessary from qualified professionals. Further, in rendering our opinion, we do not express any view on, and our opinion does not address, the fairness of the amount or nature of the compensation (if any) to any officers, directors or employees of any party, or class of such persons, relative to the Merger Consideration or otherwise.

The issuance of our opinion has been approved by RBCCM's Fairness Opinion Committee.

Based on our experience as investment bankers and subject to the foregoing, including the various assumptions and limitations set forth herein, it is our opinion that, as of the date hereof, the Merger Consideration to be paid by CSC pursuant to the Merger Agreement is fair, from a financial point of view, to CSC.

Very truly yours,  
RBC CAPITAL MARKETS, LLC



"040105"

(PURSUANT TO NRS CHAPTER 78)

ABOVE SPACE IS FOR OFFICE USE ONLY

<b>1. Name of Corporation:</b>			
<b>2. Registered Agent for Service of Process:</b> (check only one box)	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <input type="checkbox"/> Commercial Registered Agent: _____  Name </div> <div style="width: 45%;"> <input type="checkbox"/> Noncommercial Registered Agent (name and address below) <b>OR</b> <input type="checkbox"/> Office or Position with Entity (name and address below) </div> </div> <div style="margin-top: 10px;"> Name of Noncommercial Registered Agent <b>OR</b> Name of Title of Office or Other Position with Entity _____ </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 55%;">Street Address _____</div> <div style="width: 15%;">City _____</div> <div style="width: 30%;">Nevada _____ Zip Code _____</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 55%;">Mailing Address (if different from street address) _____</div> <div style="width: 15%;">City _____</div> <div style="width: 30%;">Nevada _____ Zip Code _____</div> </div>		
<b>3. Authorized Stock:</b> (number of shares corporation is authorized to issue)	Number of shares with par value: _____ Par value per share: \$ _____ Number of shares without par value: _____		
<b>4. Names and Addresses of the Board of Directors/Trustees:</b> (each Director/Trustee must be a natural person at least 18 years of age; attach additional page if more than two directors/trustees)	1) _____ Name _____ Street Address _____ City _____ State _____ Zip Code _____ 2) _____ Name _____ Street Address _____ City _____ State _____ Zip Code _____		
<b>5. Purpose:</b> (optional; required only if Benefit Corporation status selected)	The purpose of the corporation shall be: _____		<b>6. Benefit Corporation:</b> (see instructions) <input type="checkbox"/> Yes
<b>7. Name, Address and Signature of Incorporator:</b> (attach additional page if more than one incorporator)	I declare, to the best of my knowledge under penalty of perjury, that the information contained herein is correct and acknowledge that pursuant to NRS 239.330, it is a category C felony to knowingly offer any false or forged instrument for filing in the Office of the Secretary of State. <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 45%;"> Name _____  Address _____  City _____ State _____ Zip Code _____ </div> <div style="width: 45%; text-align: center;"> <div style="font-size: 2em; font-weight: bold; margin-bottom: 5px;">X</div> Incorporator Signature _____ </div> </div>		
<b>8. Certificate of Acceptance of Appointment of Registered Agent:</b>	I hereby accept appointment as Registered Agent for the above named Entity. <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 70%;"> <div style="font-size: 2em; font-weight: bold; margin-bottom: 5px;">X</div> Authorized Signature of Registered Agent or On Behalf of Registered Agent Entity _____ </div> <div style="width: 25%;"> Date _____ </div> </div>		

Nevada Secretary of State NRS 70 Articles  
Revised: 1-5-15



**ATTACHMENT  
TO  
ARTICLES OF INCORPORATION  
OF  
[EVERETT SPINCO, INC.]**

The Articles of Incorporation of [Everett SpinCo, Inc.] (the “corporation”) consist of the articles set forth on the prior page and the additional articles set forth on this attachment as follows:

**ARTICLE 9  
PURPOSE**

The nature of the business, or objects or purposes to be transacted, promoted or carried on are:

To engage in the business of selling computer machine time, computer programming services, mathematical and other related problem analysis, training in the use and application of computers, operation of computer centers and consulting service on matters relating to computer technology, associated analysis and related matters.

To engage in any other technical business whatsoever, and in connection therewith to manufacture, assemble, lease and sell technical equipment, supplies and other personal property.

To acquire, use, mortgage or otherwise encumber, sell or otherwise dispose of real and personal property of every kind and character, or any right or interest therein.

To acquire, use, deal in and with, to accept and grant licenses in respect to, pledge or otherwise encumber, sell or otherwise dispose of, trade names, trade marks, inventions, formulae, improvements and processes, of any nature whatsoever, copyrights, patent rights and letters patent, or any interest therein, of the United States and all foreign countries.

To acquire the whole or any part of, or any interest in, the good will and assets, and to undertake to assume the obligations or liabilities of, any person, firm, association or corporation engaged in a business or enterprise in which this corporation may lawfully engage.

To purchase or otherwise acquire, pledge or otherwise encumber, sell or otherwise dispose of, shares of the capital stock of, or any bonds, securities or evidences of indebtedness created by, any other corporation or association organized under the laws of this State or any other state, country, nation or government, and while the owner thereof to exercise all the rights, powers and privileges of ownership.

To promote or to aid in any manner, financially or otherwise, any person, corporation or association; and for this purpose to guarantee or become a surety upon the contracts, dividends, stocks, bonds, notes or other obligations of such person, corporation, or association; and to do any other act or thing designed to protect, preserve, improve or enhance the value of the stocks, bonds or other obligations or securities of such person, corporation or association.

To become a member of any partnership or joint venture and to enter into any lawful arrangements for sharing profits and/or losses, union of interests, reciprocal concessions or cooperation with any corporation, association, partnership, syndicate, person, governmental, municipal or public authority, domestic or foreign, in the carrying on of any business which this corporation is authorized to carry on, or any business or transaction deemed necessary, convenient or incidental to carrying out any of the purposes of this corporation.

To borrow money and contract debts without limit for any of the purposes of this corporation, and to issue bonds, debentures, notes or other obligations therefor, and to secure the same by pledge or mortgage of the whole or any part of the property of this corporation, whether real or personal, or to issue bonds, debentures, notes or other obligations without any such security.

To purchase, hold, sell and transfer, shares of its own capital stock; provided it shall not use its funds for the purchase of its own shares of capital stock when such use would cause any impairment of its capital, except as permitted by law; and provided, further, that shares of its own capital stock belonging to it shall not be voted upon directly or indirectly.

To do any and all things necessary or convenient for the accomplishment of the foregoing purposes; to carry on any lawful business whatsoever which the corporation may deem proper or convenient in connection with any of the foregoing purposes or otherwise, or which may be calculated, directly or indirectly to promote the interests of the corporation or to enhance the value of its property; to have, enjoy and exercise, all the rights, powers and privileges, which are now or which may hereafter be conferred upon corporations organized under the same statutes as this corporation; to conduct its business anywhere in the world.

## **ARTICLE 10**

### **CAPITAL**

The total number of shares of capital stock which may be issued by the corporation is seven hundred fifty-one million (751,000,000), of which seven hundred fifty million (750,000,000) shares shall be Common Stock of the par value of one cent (\$0.01) per share (hereinafter referred to as the "Common Stock") and one million (1,000,000) shares shall be Preferred Stock of the par value of one cent (\$0.01) per share (hereinafter referred to as the "Preferred Stock").

The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions of the shares of each class of stock and the manner in which shares of stock are to be voted for the election of directors are as follows:

## PREFERRED STOCK

The Preferred Stock shall be all of one class but may be issued from time to time in one or more series, each of such series to have such full or limited voting powers, if any, and such designations, preferences and relative, participating, optional or other special rights or qualifications, limitations or restrictions thereof as shall be stated and expressed in a resolution or resolutions providing for the issue of such series as may be adopted by the board of directors as hereinafter provided. Each share of Preferred Stock shall rank on a parity with each other share of Preferred Stock, regardless of series, with respect to the payment of dividends at the respectively designated rates and with respect to the distribution of capital assets according to the amounts to which the shares of the respective series are entitled.

Authority is hereby expressly granted to and vested in the board of directors, subject to the provisions of this Article 10, to authorize one or more series of Preferred Stock and, with respect to each series, to fix by resolution or resolutions providing for the issue of such series:

- (a) the number of shares to constitute such series and the distinctive designation thereof;
- (b) the dividend rate on the shares of such series, dividend payment dates, whether such dividends shall be cumulative, and, if cumulative, the date or dates from which dividends shall accumulate;
- (c) whether or not the shares of such series shall be redeemable, and, if redeemable, the redemption prices which the holders of the shares of such series shall be entitled to receive upon the redemption thereof;
- (d) whether or not the shares of such series shall be subject to the operation of retirement or sinking funds to be applied to the purchase or redemption of such shares for retirement and, if such retirement or sinking fund or funds be established, the annual amount thereof and the terms and provisions relative to the operation thereof;
- (e) whether or not the shares of such series shall be convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same class of stock of the corporation and the conversion price or prices or ratio or ratios or the rate or rates at which such exchange may be made, with such adjustments relating to changes in the outstanding shares of such other class or classes or series of the same class of stock into which it is convertible or exchangeable for or otherwise, if any, as shall be stated and expressed or provided in such resolution or resolutions;
- (f) the preferences, if any, and the amounts thereof, which the shares of such series shall be entitled to receive upon the voluntary and involuntary dissolution of, or upon any distribution of the assets of, the corporation;

- (g) the voting power, if any, of the shares of such series, which voting power may include, at the option of the board of directors, provisions for increasing the number of directors by two or more and for the election of that number of members of the board of directors by the holders of shares of such series in the event that dividends payable on such series shall be in default in an amount equivalent to six full quarter-yearly dividends on all shares of such series at the time outstanding; and
- (h) such other special rights and protective provisions as the board of directors may deem advisable.

Notwithstanding the fixing of the number of shares constituting a particular series upon the issuance thereof, the board of directors may at any time thereafter authorize the issuance of additional shares of the same series.

Holders of Preferred Stock shall be entitled to receive, when and as declared by the board of directors, out of funds legally available for the payment of dividends, dividends at the annual rates fixed by the board of directors for the respective series and no more, payable on such dates as the board of directors shall fix for the respective series as provided in this Article 10 (hereinafter referred to as "dividend dates"), in preference to dividends on any other class of stock of the corporation (except with respect to any other class of stock ranking prior to or on a parity with the Preferred Stock with respect to dividends), so that no cash payments or distributions shall be made to holders of the Common Stock of the corporation or any other class of stock ranking junior to the Preferred Stock with respect to dividends unless all accrued dividends for past and current dividend periods on all series of Preferred Stock entitled to cumulative dividends shall have been declared and set apart for payment and dividends for the current dividend period on all other series of Preferred Stock shall have been declared and set apart for payment. No dividend in respect of any current dividend period shall be declared and set apart for payment on any series of Preferred Stock unless there shall be or have been declared and set apart for payment on all outstanding shares of Preferred Stock (a) as to each series entitled to cumulative dividends, the full cumulative dividends for all past dividend periods, and (b) as to all series, dividends ratably in accordance with the sums which would be payable on the shares of the respective series for the current dividend period if all dividends for the current dividend period were declared and paid in full. No dividend in respect of past dividend periods shall be declared and set apart for payment on any series of Preferred Stock entitled to cumulative dividends unless there shall be or have been declared and set apart for payment on all outstanding shares of Preferred Stock entitled to cumulative dividends, dividends ratably in accordance with the sums which would be payable on the shares of the respective series entitled to cumulative dividends if all dividends due for all past dividend periods were declared and paid in full. Nothing contained in this Article 10 shall be deemed in any way to qualify or limit the right of the corporation or any subsidiary of the corporation to purchase or otherwise acquire at such time and for such consideration as the corporation shall deem appropriate any shares of its capital stock; provided that no shares of capital stock of the corporation shall be purchased or redeemed, by the corporation or by any subsidiary of the corporation, at any time when accrued dividends on any series of Preferred Stock entitled to cumulative dividends, remain unpaid for any period to and including the last preceding dividend date.

For the purposes of this Article 10, and of any resolutions fixing the terms of any series of Preferred Stock, the amount of dividends “accrued” on any share of Preferred Stock of any series entitled to cumulative dividends as at any dividend date shall be deemed to be the amount of any unpaid dividends accumulated thereon to and including such dividend date, whether or not earned or declared, and the amount of dividends “accrued” on any share of Preferred Stock of any series entitled to cumulative dividends as at any date other than a dividend date shall be calculated as the amount of any unpaid dividends accumulated thereon to and including the last preceding dividend date, whether or not earned or declared, plus an amount computed, on the basis of a 360-day year, for the period after such last preceding dividend date to and including the date as of which the calculation is made at the annual dividend rate fixed for the shares of such series.

In the event that any series of Preferred Stock shall be entitled to a preference upon the dissolution of, or upon any distribution of the assets of, the corporation, then upon any such dissolution or distribution, before any payment or distribution of the assets of the corporation (whether capital or surplus) shall be made to or set apart for any other class or classes of stock (except with respect to any other class of stock ranking prior to or on a parity with the Preferred Stock with respect to assets), the holders of such series of Preferred Stock shall be entitled to payment of the amount of the preference, if any, payable upon such dissolution or distribution as may be fixed by the board of directors for the shares of the respective series as provided in this Article 10 before any payment or distribution shall be made on any other class or classes of capital stock. If, upon any such dissolution or distribution, the assets of the corporation distributable among the holders of any such series of the Preferred Stock entitled to a preference shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributed among the holders of each such series of the Preferred Stock ratably in accordance with the sums which would be payable on such distribution if the preferential amount aforesaid were paid in full. The voluntary sale, conveyance, exchange, lease, transfer, or other disposal (for cash, shares of stock, securities or other consideration, or any combination of the foregoing) of all or substantially all of the property and assets of the corporation, the merger or consolidation of the corporation into or with any other corporation, or the merger of any other corporation into it, shall not be deemed to be a dissolution of, or a distribution of the assets of, the corporation, for the purpose of this paragraph.

In the event that any series of Preferred Stock shall be redeemable, then, at the option of the board of directors, the corporation at any time or from time to time may redeem all, or any number less than all, of the outstanding shares of any such series at the redemption price thereof as may be fixed by the board of directors as provided in this Article 10 (the sum so payable upon any redemption of Preferred Stock being herein referred to as the “redemption price”); provided, that not less than 30 days previous to the date fixed for redemption (hereinafter referred to as the “redemption date”), a notice of the time and place thereof shall be mailed to each holder of record of the shares so to be redeemed at his address as shown by the records of the corporation; and provided further, that in case of redemption of less than all of the outstanding shares of any series of Preferred Stock, the

board of directors shall determine the shares to be redeemed by lot or pro rata in such manner as the board of directors deems equitable. At any time after notice of redemption shall have been mailed as above provided to the holders of the shares so to be redeemed, the corporation may deposit the aggregate redemption price, in trust, with a bank or trust company, the name and address of which shall be designated in such notice, for payment, on or before the redemption date, of the redemption price for the shares called for redemption. Upon the making of such deposit, or if no such deposit is made, then upon the redemption date (unless the corporation shall default in making payment of the redemption price), holders of the shares of Preferred Stock called for redemption shall cease to be stockholders with respect to such shares notwithstanding that any certificate for such shares shall not have been surrendered, and thereafter such shares shall no longer be transferable on the books of the corporation and such holders shall have no interest in or claim against the corporation with respect to said shares, except the right (a) to receive payment of the redemption price upon surrender of their certificates, or (b) to exercise on or before the redemption date the rights, if any, not theretofore expiring to convert the shares so called for redemption into, or to exchange such shares for, shares of stock of any other class or classes or of any other series of the same class of stock of the corporation. Any funds deposited in trust as aforesaid which shall not be required for such redemption because of the exercise of any right of conversion or otherwise subsequent to the date of such deposit, shall be returned to the corporation forthwith. The corporation shall be entitled to receive from any bank or trust company the interest, if any, allowed on any moneys deposited as in this paragraph provided, and the holders of any shares so redeemed shall have no claim to any such interest. Any funds so deposited by the corporation and unclaimed at the end of five years from the redemption date shall be repaid to the corporation upon its request, after which repayment the holders of such shares who shall not have made claim against such moneys prior to such repayment shall be deemed to be unsecured creditors of the corporation, but only for a period of two years from the date of such repayment (after which all rights of the holders of such shares as unsecured creditors or otherwise shall cease), for an amount equivalent to the amount deposited as above stated for the redemption of such shares and so repaid to the corporation, but shall in no event be entitled to any interest.

In order to facilitate the redemption of any shares of Preferred Stock, the board of directors is authorized to cause the transfer books of the corporation to be closed as to the shares to be redeemed.

No shares of Preferred Stock which shall at any time have been purchased by the corporation or redeemed, or which shall at any time have been surrendered for conversion or exchange, or for cancellation pursuant to any retirement or sinking fund provisions with respect to any series of Preferred Stock, shall be reissued.

If the board of directors grants voting power to the holders of shares of any series of Preferred Stock, the holders of shares of such series shall be entitled to no more than one vote per share voting with the holders of shares of the Common Stock at each annual or special meeting of stockholders upon all matters upon which a vote is taken except that if the holders of shares of such series shall be entitled to elect two or more directors, as a class, the holders of shares of such series shall not be entitled to a vote for

the election of any other directors of the corporation. In the event that the Common Stock is subdivided, or increased by reason of a dividend payable in shares of Common Stock, or combined, the number of votes to which each share of such series shall be so entitled shall be increased, in the case of a subdivision, or in the case of such a dividend, or reduced, in the case of a combination, in the same proportion as the subdivision, increase by dividend, or combination of the Common Stock.

The holders of Preferred Stock shall not be entitled to any preemptive or preferential right to subscribe for or purchase any shares of capital stock of the corporation or any securities convertible into shares of capital stock of the corporation.

## **COMMON STOCK**

Each share of Common Stock shall be equal in all respects to every other share of Common Stock of the corporation. Each share of Common Stock shall be entitled to one vote per share at each annual or special meeting of stockholders for the election of directors and upon any other matter coming before such meeting. Subject to all the rights of the Preferred Stock, dividends may be paid upon the Common Stock as and when declared by the board of directors out of any funds of the corporation legally available therefor. Upon any liquidation, dissolution or winding up of the corporation, whether voluntary or involuntary, and after the holders of each series of the Preferred Stock shall have been paid in full, the amounts to which they respectively shall be entitled under this Article 10, the remaining assets of the corporation shall be distributed pro rata to the holders of the Common Stock.

The holders of Common Stock shall not be entitled to any preemptive or preferential right to subscribe for or purchase any shares of capital stock of the corporation or any securities convertible into shares of capital stock of the corporation.

## **VOTING**

No holder of shares of capital stock possessing voting power shall have the right to cumulate his or her voting power in the election of directors.

## **ARTICLE 11 GOVERNING BOARD**

The members of the governing board shall be known as directors and the number thereof shall be not less than three nor more than fifteen, the exact number to be fixed in accordance with the by-laws of the corporation; provided that the number so fixed in accordance with the by-laws may be increased or decreased within the limit above specified from time to time.

## **ARTICLE 12 SHARES NON-ASSESSABLE**

The capital stock, after the amount of the subscription price, or par value, if greater, has been paid in shall be subject to no further assessment to pay the debts of the corporation.

**ARTICLE 13**  
**ELECTION OF DIRECTORS**

At each meeting of holders of shares of capital stock for the election of directors at which a quorum is present, a nominee for election as a director in an uncontested election shall be elected to the board of directors if the number of votes cast for such nominee's election exceeds the number of votes cast against such nominee's election. For purposes of this Article 13, abstentions will not be considered votes cast for or against a nominee at the meeting. Notwithstanding the foregoing, if the number of candidates exceeds the number of directors to be elected, then, in that election, the nominees receiving the greatest number of votes shall be elected.

For purposes of this Article 13, an "uncontested election" means any meeting of holders of shares of capital stock at which the number of nominees does not exceed the number of directors to be elected and with respect to which no holder of capital stock has submitted notice of an intent to nominate a candidate for election at such meeting in accordance with the by-laws, as they may be amended from time to time, or, if such a notice has been submitted with respect to such meeting, on or before the tenth day prior to the date that the corporation files its definitive proxy statement relating to such meeting with the Securities and Exchange Commission (regardless of whether or not it is thereafter revised or supplemented), each such notice with respect to such meeting has been (A) withdrawn by its respective submitting stockholder in writing to the secretary of the corporation, (B) determined not to be a valid and effective notice of nomination (such determination to be made by the Board of Directors (or a designated committee thereof) pursuant to the by-laws, or, if challenged in court, by final court order) or (C) determined not to create a bona fide election contest by the Board of Directors (or a designated committee thereof).

**ARTICLE 14**  
**PERPETUAL EXISTENCE**

This corporation is to have perpetual existence.

**ARTICLE 15**  
**BYLAWS**

Subject to the by-laws, if any, adopted by the stockholders, the board of directors is expressly authorized to make, alter or amend the by-laws of the corporation.

The directors, without restriction or limitation, shall have all of the powers and authorities expressly conferred upon them by the statutes of this State and this corporation may in its by-laws confer powers upon its directors in addition to the powers and authorities expressly conferred upon them by the statutes of this State.



**ARTICLE 16**  
**TRANSACTIONS WITH DIRECTORS**

The corporation may enter into contracts or transact business with one or more of its directors, or with any firm of which one or more of its directors are members, or with any corporation or association in which any one of its directors is a stockholder, director or officer, and such contract or transaction shall not be invalidated or in any wise affected by the fact that such director or directors have or may have interests therein which are or might be adverse to the interests of the corporation, even though the vote of the director or directors having such adverse interest shall have been necessary to obligate the corporation upon such contract or transaction provided such adverse interest is either known or made known to the remaining directors; and no director or directors having such adverse interest shall be liable to the corporation or to any stockholder or creditor thereof, or to any other person, for any loss incurred by it under or by reason of any such contract or transaction; nor shall any such director or directors be accountable for any gains or profits realized thereon: Always provided, however, that such contract or transaction shall at the time at which it was entered into have been a reasonable one to have been entered into and shall have been upon terms that at the time were fair.

**ARTICLE 17**  
**MEETINGS OF STOCKHOLDERS**

Meetings of stockholders may be held without the State of Nevada, if the by-laws so provide. The books of this corporation may be kept (subject to the provision of the statutes) outside of the State of Nevada at such places as may be from time to time designated by the board of directors or in the by-laws of the corporation.

**ARTICLE 18**  
**AMENDMENTS**

This corporation reserves the right to amend, alter, change or repeal any provision contained in these articles of incorporation, in the manner now or hereafter prescribed by statute, or by these articles of incorporation, and all rights conferred upon stockholders herein are granted subject to this reservation.

**ARTICLE 19**  
**PREEMPTIVE RIGHTS DENIED**

No holder of shares of stock of the corporation shall be entitled as of right to purchase or subscribe for any part of any unissued stock of this corporation or of any new or additional authorized stock of the corporation of any class whatsoever, or of any issue of securities of the corporation convertible into stock, whether such stock or securities be issued for money or for a consideration other than money or by way of dividend, but any such unissued stock or such new or additional authorized stock or such securities convertible into stock may be issued and disposed of to such persons, firms, corporations and associations, and upon such terms as may be deemed advisable by the board of directors without offering to stockholders then of record or any class of stockholders any thereof upon the same terms or upon any terms.

**ARTICLE 20**  
**LIABILITY OF OFFICERS AND DIRECTORS**

The liability of directors and officers of the corporation shall be eliminated or limited to the fullest extent permitted by the Nevada Revised Statutes. If the Nevada Revised Statutes are amended to further eliminate or limit or authorize corporate action to further eliminate or limit the liability of directors or officers, the liability of directors and officers of the corporation shall be eliminated or limited to the fullest extent permitted by the Nevada Revised Statutes, as so amended from time to time. If the Nevada Revised Statutes is amended after approval by the stockholders of this Article 20 to authorize corporate action further eliminating or limiting the personal liability of directors or officers, the liability of a director or officer of the corporation shall be eliminated or limited to the fullest extent permitted by the Nevada Revised Statutes, as so amended from time to time. No repeal or modification of this Article 20 by the stockholders shall adversely affect any right or protection of a director or officer of the corporation existing by virtue of this Article 20 at the time of such repeal or modification.

**ARTICLE 21**  
**INDEMNIFICATION**

(a) The corporation shall indemnify and hold harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was or has agreed to become a director or officer of the corporation or is serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise or by reason of actions alleged to have been taken or omitted in such capacity or in any other capacity while serving as a director or officer. The indemnification of directors and officers by the corporation shall be to the fullest extent authorized or permitted by applicable law, as such law exists or may hereafter be amended (but only to the extent that such amendment permits the corporation to provide broader indemnification rights than permitted prior to the amendment). The indemnification of directors and officers shall be against all loss, liability and expense (including attorneys fees, costs, damages, judgments, fines, amounts paid in settlement and ERISA excise taxes or penalties) actually and reasonably incurred by or on behalf of a director or officer in connection with such action, suit or proceeding, including any appeal; provided, however, that with respect to any action, suit or proceeding initiated by a director or officer, the corporation shall indemnify such director or officer only if the action, suit or proceeding was authorized by the board of directors of the corporation, except with respect to a suit for the enforcement of rights to indemnification or advancement of expenses in accordance with Section (c) hereof.

(b) The expenses of directors and officers incurred as a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative shall be paid by the corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding; provided, however, that if applicable law so requires, the advance payment of expenses shall be made only upon receipt by the corporation of an undertaking by or on behalf of the director or officer to repay all amounts so advanced in the event that it is ultimately determined by a final decision, order or decree of a court of competent jurisdiction that the director or officer is not entitled to be indemnified for such expenses under this Article 21.

(c) Any director or officer may enforce his or her rights to indemnification or advance payments for expenses in a suit brought against the corporation if his or her request for indemnification or advance payments for expenses is wholly or partially refused by the corporation or if there is no determination with respect to such request within 60 days from receipt by the corporation of a written notice from the director or officer for such a determination. If a director or officer is successful in establishing in a suit his or her entitlement to receive or recover an advancement of expenses or a right to indemnification, in whole or in part, he or she shall also be indemnified by the corporation for costs and expenses incurred in such suit. It shall be a defense to any such suit (other than a suit brought to enforce a claim for the advancement of expenses under Section (b) of this Article 21 where the required undertaking, if any, has been received by the corporation) that the claimant has not met the standard of conduct set forth in the Nevada Revised Statutes. Neither the failure of the corporation to have made a determination prior to the commencement of such suit that indemnification of the director or officer is proper in the circumstances because the director or officer has met the applicable standard of conduct nor a determination by the corporation that the director or officer has not met such applicable standard of conduct shall be a defense to the suit or create a presumption that the director or officer has not met the applicable standard of conduct. In a suit brought by a director or officer to enforce a right under this Section (c) or by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that a director or officer is not entitled to be indemnified or is not entitled to an advancement of expenses under this Section (c) or otherwise, shall be on the corporation.

(d) The right to indemnification and to the payment of expenses as they are incurred and in advance of the final disposition of the action, suit or proceeding shall not be exclusive of any other right to which a person may be entitled under these articles of incorporation or any by-law, agreement, statute, vote of stockholders or disinterested directors or otherwise. The right to indemnification under Section (a) hereof shall continue for a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, next of kin, executors, administrators and legal representatives.

(e) The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any loss, liability or expense, whether or not the corporation would have the power to indemnify such person against such loss, liability or expense under the Nevada Revised Statutes.

(f) The corporation shall not be obligated to reimburse the amount of any settlement unless it has agreed to such settlement. If any person shall unreasonably fail to enter into a settlement of any action, suit or proceeding within the scope of Section (a) hereof, offered or assented to by the opposing party or parties and which is acceptable to the corporation, then, notwithstanding any other provision of this Article 21, the indemnification obligation of the corporation in connection with such action, suit or proceeding shall be limited to the total of the amount at which settlement could have been made and the expenses incurred by such person prior to the time the settlement could reasonably have been effected.

(g) The corporation may, to the extent authorized from time to time by the board of directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the corporation or to any director, officer, employee or agent of any of its subsidiaries to the fullest extent of the provisions of this Article 21 subject to the imposition of any conditions or limitations as the board of directors of the corporation may deem necessary or appropriate.

BYLAWS  
OF  
[EVERETT SPINCO, INC.]  
effective [●]

**BYLAWS**  
**OF**  
**EVERETT SPINCO, INC.**

**ARTICLE I**

**OFFICES**

**Section 1. Principal Office.** The principal office of the Corporation in the State of Nevada shall be in the City of Reno, County of Washoe.

**Section 2. Other Offices.** The Corporation may also have offices in such other places, both within and without the State of Nevada, as the Board of Directors may from time to time determine or the business of the Corporation may require.

**ARTICLE II**

**MEETINGS OF STOCKHOLDERS**

**Section 1. Place of Annual Meetings.** Annual meetings of the stockholders shall be held at such place as shall be designated by the Board of Directors. In lieu of holding a meeting of stockholders at a designated place, the Board of Directors, may, in its sole discretion, determine that any meeting of stockholders may be held solely by means of remote communication. For the purpose of this Section 1, "remote communication" shall mean electronic communications, videoconferencing, teleconferencing or other available technology where the Corporation has implemented reasonable measures to: (a) verify the identity of each person participating through such means as a stockholder; and (b) provide the stockholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to communicate, and to read or hear the proceedings of the meetings in a substantially concurrent manner with such proceedings.

**Section 2. Date of Annual Meetings; Election of Directors; Action at Meetings of Stockholders.**

(a) Annual meetings of the stockholders shall be held at such time and date as the Board of Directors shall determine. At each annual meeting of the stockholders, the stockholders of the Corporation shall elect a Board of Directors and transact such other business as has been properly brought before the meeting in accordance with this Section 2. To be properly brought before an annual meeting, nominations and other business must be: (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the meeting by a stockholder of record at the time of giving notice provided for in these Bylaws, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.

(b) For nominations or other business to be properly brought before an annual meeting by a stockholder of record, the stockholder of record must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must be a proper subject for stockholder action. To be timely, a stockholder of record's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary

date of the preceding year's annual meeting of stockholders; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after the anniversary date of the previous year's annual meeting, notice by the stockholder of record to be timely must be so received not earlier than the close of business on the one hundred twentieth (120th) day prior to the annual meeting and not later than the close of business on the later of (x) the ninetieth (90th) day prior to the annual meeting and (y) the tenth (10th) day following the date on which public announcement of the date of such meeting is first made. For purposes of this Article II, the term "public announcement" means disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission, or in a notice pursuant to the applicable rules of an exchange on which the securities of the Corporation are listed. In no event will the public announcement of an adjournment or postponement of a stockholders meeting commence a new time period (or extend any time period) for the giving of a stockholder of record's notice as described above.

(c) A stockholder of record's notice to the Secretary to be proper must set forth as to each matter such stockholder proposes to bring before the annual meeting (other than director nominations by such stockholder, which are governed by Section 2(e) of this Article II): (1) a brief description of the business desired to be brought before the annual meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the annual meeting and any material interest in such business of such stockholder and any beneficial owner (within the meaning of Section 13(d) of the Securities Exchange Act of 1934 (the "1934 Act")), if different from such stockholder, on whose behalf the business is being proposed by such stockholder; (2) as to the stockholder of record giving the notice and any beneficial owner, if different from such stockholder, on whose behalf the business is being proposed by such stockholder: (A) the name and address, as they appear on the Corporation's books, of the stockholder of record proposing such business, and the name and address of any such beneficial owner, (B) the class and number of shares of the Corporation which are owned of record by such stockholder and any such beneficial owner as of the date of the notice, and such stockholder's agreement to notify the Corporation in writing within five (5) business days after the record date for the annual meeting of the class and number of shares of the Corporation owned of record by such stockholder and any such beneficial owner as of the record date for the meeting, (C) a representation that such stockholder intends to appear in person or by proxy at the meeting to propose such business; (D) a description of any agreement, arrangement or understanding with respect to the business between or among such stockholder and/or any such beneficial owner, on the one hand, and any other person, on the other hand, including without limitation any agreements that would be required to be disclosed pursuant to Item 5 or Item 6 of 1934 Act Schedule 13D (regardless of whether the requirement to file a Schedule 13D is applicable to such stockholder or any such beneficial owner) and such stockholder's agreement to notify the Corporation in writing within five (5) business days after the record date for the annual meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting, and (E) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of such stockholder's notice by, or on behalf of, such stockholder or any such beneficial owner, the effect or intent of which is to mitigate loss, manage risk or benefit from changes in the share price of any class of shares of the Corporation, or increase or decrease the voting power of such stockholder or any such beneficial owner with respect to shares of the Corporation, and such stockholder's agreement to notify the Corporation in writing within five (5) business days after the record date for such meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting; provided, however, that with respect to a stockholder of record who is merely a nominee on behalf of any other person or entity that may be the beneficial owner of the shares held of record by such stockholder, and is not itself a beneficial owner of such shares, such stockholder shall not be required to provide the information in clauses (2)(D) and (2)(E) of this sentence as to such stockholder of record, but shall be required to provide such information as to any such other beneficial owner.

Notwithstanding anything in these Bylaws to the contrary, no business will be conducted at any annual meeting except in accordance with the procedures set forth in this Section 2. The chairman of the annual meeting may determine and declare, if the facts warrant, at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section 2, and, if he or she should so determine, he or she will so declare at the meeting that any such business not properly brought before the meeting will not be transacted. Notwithstanding the foregoing provisions of this Section 2, unless otherwise required by law, if the stockholder of record does not provide the information required under clauses (2)(B), (2)(D) and (2)(E) of this Section 2(c) to the Corporation within five (5) business days following the record date for an annual meeting of stockholders or if such stockholder (or a qualified representative of such stockholder) does not appear at the annual meeting to present the business described in such stockholder's notice delivered pursuant to this Section 2(c), such business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 2, to be considered a qualified representative of a stockholder of record, a person must be a duly authorized officer, manager or partner of such stockholder or authorized by a writing executed by such stockholder (or a reliable reproduction or electronic transmission of the writing) delivered to the Corporation prior to the proposing of the business at the meeting by such stockholder stating that the person is authorized to act for such stockholder as proxy at the meeting of stockholders.

Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the Corporation's proxy statement and form of proxy for an annual meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act, and the foregoing notice requirements of this Section 2 will not apply to stockholders who have notified the Corporation of their intention to present a stockholder proposal only pursuant to and in compliance with such regulations.

(d) Only persons who are nominated in accordance with the procedures set forth in this Section 2(d) and Section 2(e) will be eligible for election as directors. Nominations of persons for election to the Board of Directors may be made at an annual meeting of stockholders, or at a special meeting of stockholders at which directors are to be elected pursuant to the notice for such meeting, by or at the direction of the Board of Directors or by any stockholder of record of the Corporation at the time of giving notice provided for in these Bylaws, who is entitled to vote in the election of directors at the meeting and who complies with the notice procedures set forth in this Section 2.

(e) Nominations, other than those made by or at the direction of the Board of Directors, to be proper must be made by a stockholder of record pursuant to timely notice in writing to the Secretary of the Corporation in accordance with the time periods described in Section 2(b) in the case of an annual meeting and Section 3(c) in the case of a special meeting. Such stockholder of record's notice to be proper must set forth (1) as to each person, if any, whom such stockholder proposes to nominate for election or re-election as a director: (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) the class and number of shares of the Corporation which are owned by such person, including shares beneficially owned and shares held of record, (D) any other information relating to such person that is required to be disclosed in solicitations of proxies for elections of directors in an election contest (even if an election contest is not involved), or is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including without limitation such person's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected), and (E) a written statement executed by such nominee acknowledging that, as a director of such corporation, such person will owe a fiduciary duty, pursuant to the Nevada



Revised Statutes, exclusively to the Corporation and its stockholders; (2) as to the stockholder of record giving the notice and any beneficial owner, if different from such stockholder, on whose behalf the nomination is being made: (A) the name and address, as they appear on the Corporation's books, of the stockholder of record giving the notice, and the name and address of any such beneficial owner, (B) the class and number of shares of the Corporation which are owned of record by such stockholder and any such beneficial owner as of the date of the notice, and such stockholder's agreement to notify the Corporation in writing within five (5) business days after the record date for the annual meeting of the class and number of shares of the Corporation owned of record by such stockholder and any such beneficial owner as of the record date for the meeting, (C) a representation that such stockholder intends to appear in person or by proxy at the meeting to present the nomination; (D) a description of any agreement, arrangement or understanding with respect to the nomination between or among such stockholder and/or any such beneficial owner, on the one hand, and any other person, on the other hand, including without limitation any agreements that would be required to be disclosed pursuant to Item 5 or Item 6 of 1934 Act Schedule 13D (regardless of whether the requirement to file a Schedule 13D is applicable to such stockholder or any such beneficial owner) and such stockholder's agreement to notify the Corporation in writing within five (5) business days after the record date for the annual meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting, and (E) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of such stockholder's notice by, or on behalf of, such stockholder or any such beneficial owner, the effect or intent of which is to mitigate loss, manage risk or benefit from changes in the share price of any class of shares of the Corporation, or increase or decrease the voting power of such stockholder or any such beneficial owner with respect to shares of the Corporation, and such stockholder's agreement to notify the Corporation in writing within five (5) business days after the record date for such meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting; provided, however, that with respect to a stockholder of record who is merely a nominee on behalf of any other person or entity that may be the beneficial owner of the shares held of record by such stockholder, and is not itself a beneficial owner of such shares, such stockholder shall not be required to provide the information in clauses (2)(D) and (2)(E) of this sentence as to such stockholder of record, but shall be required to provide such information as to any such other beneficial owner. At the request of the Board of Directors or the chairman of the Board of Directors, any person nominated by a stockholder of record for election as a director will furnish to the Secretary of the Corporation that information required to be set forth in such stockholder's notice of nomination which pertains to the nominee and such other information as the Corporation may reasonably require to determine the eligibility of the proposed nominee to serve as a director of the Corporation. No person will be eligible for election as a director of the Corporation unless nominated by or at the direction of the Board of Directors or by a stockholder in accordance with the procedures set forth in this Section 2(e).

Notwithstanding the foregoing provisions of this Section 2, unless otherwise required by law, if the stockholder of record does not provide the information required under clauses (2)(B), (2)(D) and (2)(E) of this Section 2(e) to the Corporation within five (5) business days following the record date for an annual or special meeting of stockholders or if such stockholder (or a qualified representative of such stockholder) does not appear at the annual or special meeting to present the nomination, such nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(f) The chairman of the annual meeting may determine and declare, if the facts warrant, at the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and in such event the defective nomination will be disregarded.

### **Section 3. Special Meetings.**

(a) Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute, by the Articles of Incorporation or by these Bylaws, may be called by the Chairman of the Board, the Board of Directors or the Chief Executive Officer, and shall be called by the Chief Executive Officer or Secretary at the request in writing of stockholders of record owning not less than seventy-five percent (75%) of the entire capital stock of the Corporation issued and outstanding and entitled to vote, and shall not otherwise be called except as provided in Section 3(b). A request to the Secretary to be proper shall be signed by each stockholder of record, or a duly authorized agent of such stockholder, requesting the special meeting and must set forth a brief description of each matter of business (other than director nominations by such stockholder, which are governed by Section 3(c)) desired to be brought before the special meeting and the reasons for conducting such business at the special meeting and the information required pursuant to Sections 2(c), in the case of business other than the election of directors, or 2(e), in the case of the election of directors. A special meeting requested by such stockholders shall be held at such date, time and place as the Board of Directors shall determine; provided, however, that the date of any such special meeting shall be not more than ninety (90) days after the request to call the special meeting is received by the Secretary. Notwithstanding the foregoing, a special meeting requested by the stockholders of record shall not be held if the Board of Directors has called or calls for an annual meeting of stockholders to be held within ninety (90) days after the Secretary receives the request for the special meeting and the Board of Directors determines in good faith that the business of such annual meeting includes (among any other matters brought properly before the annual meeting) business specified in the request. A stockholder of record may revoke a request for a special meeting at any time by written revocation delivered to the Secretary, and if, following such revocation, there are unrevoked requests from stockholders of record holding in the aggregate less than the requisite number of shares entitling the stockholders of record to request the calling of a special meeting, the Board of Directors, in its discretion, may cancel the special meeting. Business transacted at a special meeting requested by stockholders of record shall be limited to the matters described in the special meeting request; provided, however that nothing herein shall prohibit the Board of Directors from submitting matters to such stockholders at any special meeting requested by such stockholders.

(b) In the event the Corporation shall have failed to hold its annual meeting of stockholders for a period of 18 months from the last preceding annual meeting at which directors were elected or if such annual meeting shall have been held but directors shall not have been elected at such annual meeting, a special meeting of the stockholders shall be called by the Chief Executive Officer or Secretary at the request in writing of a majority of the Board of Directors or at the request in writing of stockholders of record owning a majority in amount of the entire capital stock of the Corporation issued and outstanding and entitled to vote. Such request from stockholders shall be directed to the Chairman of the Board, the Chief Executive Officer or the Secretary.

(c) In the event a special meeting is called for the purpose of electing one or more directors to the Board of Directors, any stockholder of record entitled to vote in the election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the notice for such meeting, if such stockholder's notice required by Section 2(e) shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not earlier than the close of business on the ninetieth (90th) day prior to the special meeting nor later than the close of business on the later of: (i) the sixtieth (60th) day prior to the special meeting or (ii) the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement (as defined in Section 2(b) of this Article II) of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder of record's notice as described above.

(d) Only such business will be considered at a special meeting of stockholders as will have been stated in the notice for such meeting.

**Section 4. Record Date for Meetings of Stockholders.** The directors may fix, in advance, a record date not more than sixty (60) or less than ten (10) days before the date of any meeting of the stockholders as the date as of which stockholders entitled to notice of and to vote at such meeting shall be determined. Only stockholders of record on that date shall be entitled to notice or to vote at such meeting. If a record date is not fixed, the record date is at the close of business on the day before the day on which the first notice is given or, if notice is waived, at the close of business on the day before the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting. The Board of Directors shall fix a new record date if the meeting is adjourned to a date more than sixty (60) days later than the date set for the original meeting.

**Section 5. Notices of Meetings.** Notices of meetings of the stockholders shall be in writing and signed by the Chief Executive Officer or Secretary, or by such other person or persons as the directors shall designate. Such notice shall state the purpose or purposes for which the meeting is called and the time when, and the place where, it is to be held, and the means of electronic communications, if any, by which stockholders and proxies shall be deemed to be present in person and vote. A copy of such notice shall be delivered personally, mailed postage prepaid, or given by a form of electronic transmission permitted for such purpose by applicable law and the rules and regulations of the U.S. Securities and Exchange Commission and each national securities exchange upon which the Corporation's voting stock is then listed, to each stockholder of record entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before such meeting. If mailed, it shall be directed to the stockholder at his or her address as it appears upon the records of the Corporation and upon such mailing of any such notice, the service thereof shall be complete, and the time of the notice shall begin to run from the date upon which such notice is deposited in the mail for transmission to such stockholder. If no such address appears on the books of the Corporation and a stockholder has given no address for the purpose of notice, then notice shall be deemed to have been given to such stockholder if it is published at least once in a newspaper of general circulation in the county in which the principal executive office of the Corporation is located. An affidavit of the mailing or publication of any such notice shall be prima facie evidence of the giving of such notice.

Personal delivery of any such notice to any officer of a corporation or association, to any member of a limited liability company managed by its members, to any manager of a limited liability company managed by its managers, to any general partner of a partnership or to any trustee of a trust shall constitute delivery of such notice to such corporation, association limited liability company, partnership or trust. If any notice addressed to the stockholder at the address of such stockholder appearing on the books of the Corporation is returned to the Corporation by the United States Postal Service marked to indicate that it is unable to deliver the notice to the stockholder at such address, all future notices shall be deemed to have been duly given to such stockholder, without further mailing, if the same shall be available for the stockholder upon written demand of the stockholder at the principal executive office of the Corporation for a period of one year from the date of the giving of the notice to all other stockholders.

**Section 6. Quorum.** The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business, except as otherwise provided by the statutes of Nevada or by the Articles of Incorporation. Regardless of whether or not a quorum is present or represented at any annual or special meeting of the stockholders, the stockholders entitled to vote thereat,

present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present in person or represented by proxy, provided that when any stockholders' meeting is adjourned for more than forty-five (45) days, or if a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At such adjourned meeting at which a quorum shall be present or represented by proxy, any business may be transacted which might have been transacted at the meeting as originally noticed.

**Section 7. Vote Required.** When a quorum is present or represented at any meeting, the holders of a majority of the stock present in person or represented by proxy and voting shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the statutes of Nevada, the Articles of Incorporation or these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question. The stockholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

**Section 8. Election of Directors.** The Corporation's Articles of Incorporation set forth voting standards applicable in the election of directors at each meeting of stockholders to elect directors.

**Section 9. Conduct of Meetings.** Subject to the requirements of the statutes of Nevada, and the express provisions of the Articles of Incorporation and these Bylaws, all annual and special meetings of stockholders shall be conducted in accordance with such rules and procedures as the Board of Directors may determine and, as to matters not governed by such rules and procedures, as the chairman of such meeting shall determine. The chairman of any annual or special meeting of stockholders shall be designated by the Board of Directors and, in the absence of any such designation, shall be the Chief Executive Officer of the Corporation.

**Section 10. Proxies.** At any meeting of the stockholders, any stockholder may be represented and vote by a proxy or proxies appointed by an instrument in writing. In the event that such instrument in writing shall designate two or more persons to act as proxies, a majority of such persons present at the meeting, or, if only one shall be present, then that one shall have and may exercise all of the powers conferred by such written instrument upon all of the persons so designated unless the instrument shall otherwise provide. No such proxy shall be valid after the expiration of six (6) months from the date of its execution, unless coupled with an interest, or unless the person executing it specifies therein the length of time for which it is to continue in force, which in no case shall exceed seven (7) years from the date of its execution. Subject to the above, any proxy duly executed is not revoked and continues in full force and effect until (i) an instrument revoking it or duly executed proxy bearing a later date is filed with the Secretary of the Corporation or, (ii) the person executing the proxy attends such meeting and votes the shares subject to the proxy, or (iii) written notice of the death or incapacity of the maker of such proxy is received by the Corporation before the vote pursuant thereto is counted.

**Section 11. Action by Written Consent.** Any action, except election of directors, which may be taken by a vote of the stockholders at a meeting, may be taken without a meeting and without notice if authorized by the written consent of stockholders holding at least ninety percent (90%) of the voting power. The Board of Directors may adopt a resolution prescribing a date upon which the stockholders of record entitled to give written consent shall be determined. The date prescribed by the Board of Directors shall not precede or be more than ten (10) days after the date the resolution is adopted by the Board of Directors. If the Board of Directors does not adopt a resolution prescribing a date upon which the stockholders of record entitled to give written consent shall be determined and:

(a) No prior action by the Board of Directors is required by the statutes of Nevada, the date is the first date on which a valid, written consent is delivered in accordance with the statutes of Nevada.

(b) Prior action by the Board of Directors is required by the statutes of Nevada, the date is at the close of business on the day the Board of Directors adopts the resolution.

**Section 12. Inspectors of Election.** In advance of any meeting of stockholders, the Board of Directors may appoint inspectors of election to act at such meeting and any adjournment thereof. If inspectors of election are not so appointed, or if any persons so appointed fail to appear or refuse to act, then, unless other persons are appointed by the Board of Directors prior to the meeting, the chairman of any such meeting may, and on the request of any stockholder or a stockholder proxy shall, appoint inspectors of election (or persons to replace those who fail to appear or refuse to act) at the meeting. The number of inspectors shall not exceed three.

The duties of such inspectors shall include: (a) determining the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies; (b) receiving votes, ballots or consents; (c) hearing and determining all challenges and questions in any way arising in connection with the right to vote; (d) counting and tabulating all votes or consents and determining the result; and (e) taking such other action as may be proper to conduct the election or vote with fairness to all stockholders. In the determination of the validity and effect of proxies, the dates contained on the forms of proxy shall presumptively determine the order of execution of the proxies, regardless of the postmark dates on the envelopes in which they are mailed. The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

## **ARTICLE III**

### **DIRECTORS**

**Section 1. Number of Directors.** The exact number of directors that shall constitute the authorized number of members of the Board, all of whom shall be at least 18 years of age, shall be set by the Board from time to time by resolution of the directors of the Corporation, provided the authorized number of directors may be increased to not more than fifteen (15) or decreased to not less than three (3). Except as provided in Section 2 of this Article III, each director elected shall hold office until his or her successor is elected and qualified. Directors need not be stockholders.

**Section 2. Vacancies.** Vacancies, including those caused by (i) the death, removal, or resignation of directors, (ii) the failure of stockholders to elect directors at any annual meeting, and (iii) an increase in the number of directors, may be filled by a majority of the remaining directors though less than a quorum. When one or more directors shall give notice of resignation to the Board, effective at a future date, the acceptance of such resignation shall not be necessary to make it effective; provided, however, a resignation by a director pursuant to a director resignation policy set forth from time to time in the Corporation's Corporate Governance Guidelines shall not be effective until accepted by the Board. The Board shall have the power to cause such vacancy or vacancies to be filled when such resignation or resignations shall become effective, and each director so appointed shall hold office during the remainder of the term of office of the resigning director and until his or her successor is elected and qualified or until his or her earlier death, removal or resignation. The directors of the Corporation may be removed from office by the vote of stockholders representing not less than two-thirds (2/3) of the voting power of the issued and outstanding stock entitled to voting power.

**Section 3. Authority.** The business of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors.

**Section 4. Meetings.** The Board of Directors of the Corporation may hold meetings, both regular and special, at such place, either within or without the State of Nevada, which has been designated by resolution of the Board of Directors.

**Section 5. First Meeting.** The first meeting of the newly elected Board of Directors shall be held immediately following the annual meeting of the stockholders and no notice of such meeting to the newly elected directors shall be necessary in order legally to constitute a meeting, provided a quorum shall be present.

**Section 6. Regular Meetings.** Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by the Board.

**Section 7. Special Meetings.** Special meetings of the Board of Directors may be called by the Chairman of the Board, or the Chief Executive Officer and shall be called by the Chief Executive Officer or Secretary at the written request of two directors. Notice of the time and place of special meetings shall be given within 30 days to each director (a) personally or by telephone, telegraph, facsimile or electronic means, in each case at least twenty four (24) hours prior to the holding of the meeting, or (b) by mail, charges prepaid, addressed to such director at his or her address as it is shown upon the records of the Corporation (or, if it is not so shown on such records and is not readily ascertainable, at the place at which the meetings of the directors are regularly held) at least three (3) days prior to the holding of the meeting. Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mails, postage prepaid. Any other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means, to the recipient. Oral notice shall be deemed to have been given at the time it is communicated, in person or by telephone or wireless, to the recipient or to a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the recipient. Any notice, waiver of notice or consent to holding a meeting shall state the time, date and place of the meeting but need not specify the purpose of the meeting.

**Section 8. Quorum.** Presence in person of a majority of the Board of Directors, at a meeting duly assembled, shall be necessary to constitute a quorum for the transaction of business and the act of a majority of the directors present and voting at any meeting, at which a quorum is then present, shall be the act of the Board of Directors, except as may be otherwise specifically provided by the statutes of Nevada or by the Articles of Incorporation. A meeting at which a quorum is initially present shall not continue to transact business in the absence of a quorum.

**Section 9. Action by Written Consent.** Unless otherwise restricted by the Articles of Incorporation or by these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if a written consent thereto is signed by all members of the Board. Such written consent shall be filed with the minutes of proceedings of the Board of Directors.

**Section 10. Telephonic Meetings.** Unless otherwise restricted by the Articles of Incorporation or these Bylaws, members of the Board of Directors or of any committee designated by the Board of Directors may participate in a meeting of the Board or committee by means of a telephone conference or similar methods of communications by which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to the preceding sentence constitutes presence in person at such meeting.

**Section 11. Adjournment.** A majority of the directors present at any meeting, whether or not a quorum is present, may adjourn any directors' meeting to another time, date and place. If any meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time, date and place shall be given, prior to the time of the adjourned meeting, to the directors who were not present at the time of adjournment. If any meeting is adjourned for less than twenty-four (24) hours, notice of any adjournment shall be given to absent directors, prior to the time of the adjourned meeting, unless the time, date and place is fixed at the meeting adjourned.

**Section 12. Committees.** The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees of the Board of Directors. Such committee or committees shall have such name or names, shall have such duties and shall exercise such powers as may be determined from time to time by the Board of Directors.

**Section 13. Committee Minutes.** The committees shall keep regular minutes of their proceedings and report the same to the Board of Directors.

**Section 14. Compensation of Directors.** The directors shall receive such compensation for their services as directors, and such additional compensation for their services as members of any committees of the Board of Directors, as may be authorized by the Board of Directors.

**Section 15. Mandatory Retirement of Directors.** A director of the Corporation shall not serve beyond, and shall automatically retire at, the close of the first annual meeting of stockholders held after the director shall become age 72; provided, however that if the Board of Directors shall determine that it is in the best interests of the Corporation and its stockholders for a person to continue to serve as a director of the Corporation until the close of any annual meeting after the annual meeting upon which this Section 15 would otherwise require such person to retire, then such person shall not be so required to retire until the close of such later annual meeting.

## **ARTICLE IV**

### **OFFICERS**

**Section 1. Principal Officers.** The officers of the Corporation shall be elected by the Board of Directors and shall be a Chief Executive Officer, a President, a Secretary and a Treasurer. A resident agent for the Corporation in the State of Nevada shall be designated by the Board of Directors. Any person may hold two or more offices.

**Section 2. Other Officers.** The Board of Directors may also elect one or more Vice Presidents, Assistant Secretaries and Assistant Treasurers, and such other officers and agents, as it shall deem necessary.

**Section 3. Qualification and Removal.** The officers of the Corporation mentioned in Section 1 of this Article IV shall hold office until their successors are elected and qualify. Any such officer and any other officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors.

**Section 4. Resignation.** Any officer may resign at any time by giving written notice to the Corporation, without prejudice, however, to the rights, if any, of the Corporation under any contract to which such officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

**Section 5. Powers and Duties; Execution of Contracts.** Officers of the Corporation shall have such powers and duties as may be determined by the Board of Directors. Unless otherwise specified by the Board of Directors, the President shall be the Chief Executive Officer of the Corporation. Contracts and other instruments in the normal course of business may be executed on behalf of the Corporation by the Chief Executive Officer, the President or any Vice President of the Corporation, or any other person authorized by resolution of the Board of Directors.

## ARTICLE V

### STOCK AND STOCKHOLDERS

**Section 1. Issuance.** Every stockholder shall be issued a certificate representing the number of shares owned by such stockholder in the Corporation. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the certificate shall contain a statement setting forth the office or agency of the Corporation from which stockholders may obtain a copy of a statement or summary of the designations, preferences and relative or other special rights of the various classes of stock or series thereof and the qualifications, limitations or restrictions of such rights. The Corporation shall furnish to its stockholders, upon request and without charge, a copy of such statement or summary.

**Section 2. Facsimile Signatures.** Whenever any certificate is countersigned or otherwise authenticated by a transfer agent or transfer clerk, and by a registrar, then a facsimile of the signatures of the officers of the Corporation may be printed or lithographed upon such certificate in lieu of the actual signatures. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the Corporation, before such certificates shall have been delivered by the Corporation, such certificates may nevertheless be issued as though the person or persons who signed such certificates, had not ceased to be an officer of the Corporation.

**Section 3. Lost Certificates.** The Board of Directors may direct a new stock certificate to be issued in place of any certificate alleged to have been lost or destroyed, and may require the making of an affidavit of that fact by the person claiming the stock certificate to be lost or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent, require the owner of the lost or destroyed certificate to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost or destroyed.

**Section 4. Transfer of Stock.** Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed for transfer, it shall be the duty of the Corporation to issue a new certificate, cancel the old certificate and record the transaction upon its books.

**Section 5. Uncertificated Shares.** Notwithstanding Sections 1-4 of this Article V, the Board of Directors, pursuant to applicable law and the rules and regulations of the U.S. Securities and Exchange Commission and each national securities exchange upon which the Corporation's stock is then



listed (collectively, the “Applicable Regulations”), may authorize the issuance of uncertificated shares of some or all of the shares of any or all of the Corporation’s classes or series of stock. Any such issuance shall have such effect upon existing certificates for shares, and upon the Corporation’s obligations with respect thereto, as may be prescribed by the Applicable Regulations, notwithstanding anything to the contrary in Sections 1-4 of this Article V.

**Section 6. Registered Stock.** The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the statutes of Nevada.

**Section 7. Dividends.** In the event a dividend is declared, the stock transfer books will not be closed, but a record date will be fixed by the Board of Directors and only stockholders of record on that date shall be entitled to the dividend.

## ARTICLE VI

### INDEMNIFICATION

**Section 1. Indemnity of Directors, Officers and Agents.** The Corporation shall indemnify and hold harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was or has agreed to become a director or officer of the Corporation or is serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise or by reason of actions alleged to have been taken or omitted in such capacity or in any other capacity while serving as a director or officer. The indemnification of directors and officers by the Corporation shall be to the fullest extent authorized or permitted by applicable law, as such law exists or may hereafter be amended (but only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior to the amendment). The indemnification of directors and officers shall be against all loss, liability and expense (including attorneys fees, costs, damages, judgments, fines, amounts paid in settlement and ERISA excise taxes or penalties) actually and reasonably incurred by or on behalf of a director or officer in connection with such action, suit or proceeding, including any appeals; provided, however, that with respect to any action, suit or proceeding initiated by a director or officer, the Corporation shall indemnify such director or officer only if the action, suit or proceeding was authorized by the Board of Directors of the Corporation, except with respect to a suit for the enforcement of rights to indemnification or advancement of expenses in accordance with Section 3 hereof.

**Section 2. Expenses.** The expenses of directors and officers incurred as a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative shall be paid by the Corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding; provided, however, that if applicable law so requires, the advance payment of expenses shall be made only upon receipt by the Corporation of an undertaking by or on behalf of the director or officer to repay all amounts as advanced in the event that it is ultimately determined by a final decision, order or decree of a court of competent jurisdiction that the director or officer is not entitled to be indemnified for such expenses under this Article VI.

**Section 3. Enforcement.** Any director or officer may enforce his or her rights to indemnification or advance payments for expenses in a suit brought against the Corporation if his or her request for indemnification or advance payments for expenses is wholly or partially refused by the

Corporation or if there is no determination with respect to such request within 60 days from receipt by the Corporation of a written notice from the director or officer for such a determination. If a director or officer is successful in establishing in a suit his or her entitlement to receive or recover an advancement of expenses or a right to indemnification, in whole or in part, he or she shall also be indemnified by the Corporation for costs and expenses incurred in such suit. It shall be a defense to any such suit (other than a suit brought to enforce a claim for the advancement of expenses under Section 2 of this Article VI where the required undertaking, if any, has been received by the Corporation) that the claimant has not met the standard of conduct set forth in the Nevada Revised Statutes. Neither the failure of the Corporation to have made a determination prior to the commencement of such suit that indemnification of the director or officer is proper in the circumstances because the director or officer has met the applicable standard of conduct nor a determination by the Corporation that the director or officer has not met such applicable standard of conduct shall be a defense to the suit or create a presumption that the director or officer has not met the applicable standard of conduct. In a suit brought by a director or officer to enforce a right under this Section 3 or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that a director or officer is not entitled to be indemnified or is not entitled to an advancement of expenses under this Section 3 or otherwise, shall be on the Corporation.

**Section 4. Non-exclusivity.** The right to indemnification and to the payment of expenses as they are incurred and in advance of the final disposition of the action, suit or proceeding shall not be exclusive of any other right to which a person may be entitled under the Articles of Incorporation, these Bylaws or any agreement, statute, vote of stockholders or disinterested directors or otherwise. The right to indemnification under Section 1 of this Article VI shall continue for a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, next of kin, executors, administrators and legal representatives.

**Section 5. Settlement.** The Corporation shall not be obligated to reimburse the amount of any settlement unless it has agreed to such settlement. If any person shall unreasonably fail to enter into a settlement of any action, suit or proceeding within the scope of Section 1 hereof, offered or assented to by the opposing party or parties and which is acceptable to the Corporation, then, notwithstanding any other provision of this Article VI, the indemnification obligation of the Corporation in connection with such action, suit or proceeding shall be limited to the total of the amount at which settlement could have been made and the expenses incurred by such person prior to the time the settlement could reasonably have been effected.

**Section 6. Purchase of Insurance.** The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article VI.

**Section 7. Conditions.** The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation or to any director, officer, employee or agent of any of its subsidiaries to the fullest extent of the provisions of this Article VI, subject to the imposition of any conditions or limitations as the Board of Directors may deem necessary or appropriate.

## ARTICLE VII

### GENERAL PROVISIONS

**Section 1. Exercise of Rights.** All rights incident to any and all shares of another corporation or corporations standing in the name of the Corporation may be exercised by such officer, agent or proxyholder as the Board of Directors may designate. In the absence of such designation, such rights may be exercised by the Chairman of the Board or any officer of the Corporation, or by any other person authorized to do so by the Chairman of the Board or any officer of the Corporation. Except as provided below, shares of the Corporation owned by any subsidiary of the Corporation shall not be entitled to vote on any matter. Shares of the Corporation held by the Corporation in a fiduciary capacity and shares of the Corporation held in a fiduciary capacity by any subsidiary of the Corporation, shall not be entitled to vote on any matter, except to the extent that the settler or beneficial owner possesses and exercises a right to vote or to give the Corporation or such subsidiary binding instructions as to how to vote such shares.

Solely for purposes of Section 1 of this Article VII, a “subsidiary” of the Corporation shall mean a corporation, shares of which possessing more than fifty percent (50%) of the power to vote for the election of directors at the time determination of such voting power is made, are owned directly, or indirectly through one or more subsidiaries, by the Corporation.

**Section 2. Interpretation.** Unless the context of a Section of these Bylaws otherwise requires, the terms used in these Bylaws shall have the meanings provided in, and these Bylaws shall be construed in accordance with, the Nevada statutes relating to private corporations, as found in Chapter 78 of the Nevada Revised Statutes or any subsequent statute.

**Section 3. Provisions contrary to Provisions of Law.** Any article, section, subsections, subdivision, sentence, clause, or phrase of these Bylaws which, upon being construed in the manner provided in Section 2 of this Article VII, is contrary or inconsistent with any applicable provisions of law, will not apply so long as such provisions of law remain in effect, but such result will not affect the validity or applicability of any other portions of these Bylaws, it being hereby declared that these Bylaws would have been adopted and each article, section, subsection, subdivision, sentence, clause, or phrase thereof, irrespective of the fact that any one or more articles, sections, subsections, subdivisions, sentences, clauses, or phrase is or are illegal.

## ARTICLE VIII

### AMENDMENTS

**Section 1. Stockholder Amendments.** Bylaws may be adopted, amended or repealed by the affirmative vote of not less than seventy-five percent (75%) of the outstanding voting shares of the Corporation.

**Section 2. Amendments by Board of Directors.** Subject to the right of stockholders as provided in Section 1 of this Article VIII, Bylaws may be adopted, amended or repealed by the Board of Directors.

## **ARTICLE IX**

### **“ACQUISITION OF CONTROLLING INTEREST” PROVISIONS OF THE NEVADA REVISED STATUTES SHALL NOT APPLY**

On and after February 16, 1998, the provisions of Section 78.378 to 78.3793, inclusive, of the Nevada Revised Statutes shall not apply to the Corporation.