

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

**FORM S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**EVERETT SPINCO, INC.**

(Exact name of registrant as specified in its charter)

[7373]  
(Primary Standard Industrial  
Classification Code Number)

Delaware  
(State or other jurisdiction of  
incorporation or organization)  
3000 Hanover Street  
Palo Alto, California 94304  
(650) 687-5817

61-1800317  
(I.R.S. Employer  
Identification Number)

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Rishi Varma  
President and Secretary  
Everett SpinCo, Inc.  
3000 Hanover Street  
Palo Alto, California 94304  
(650) 687-5817

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With a copy to:

Andrew L. Fabens  
Gibson, Dunn & Crutcher LLP  
200 Park Avenue  
New York, NY 10166-0193  
(212) 351-4000

A. Peter Harwich  
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New York, NY 10020  
(212) 610-6300

**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after this registration statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☐

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ☐

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) ☐

**CALCULATION OF REGISTRATION FEE**

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per unit	Proposed maximum aggregate offering price(2)	Amount of registration fee
Common Stock, par value \$0.01 per share	140,427,000 shares	N/A	\$7,555,674,735	\$875,702.70

- This Registration Statement relates to shares of common stock of Everett SpinCo, Inc. ("Everett"), par value \$0.01 per share, issuable to holders of shares of common stock, par value \$1.00 per share, of Computer Sciences Corporation ("CSC") pursuant to the proposed merger of New Everett Merger Sub, Inc., a wholly owned, indirect subsidiary of Everett SpinCo, Inc., with and into CSC. The amount of shares of Everett common stock to be registered represents the estimate, as of November 2, 2016, of the maximum number of shares that Everett will issue to holders of CSC common shares upon consummation of the merger based on a one for one exchange ratio.
- Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f)(1) of the Securities Act. Pursuant to Rules 457(f)(1) and 457(c) of the Securities Act, the proposed maximum aggregate offering price of the registrant's common shares was calculated based upon the average of the high and low prices of CSC common shares (the securities to be canceled in the merger) on the New York Stock Exchange on November 1, 2016.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.



[            ]

Dear Fellow Stockholders:

As previously announced, Computer Sciences Corporation (“CSC”) has entered into an Agreement and Plan of Merger with Hewlett Packard Enterprise Company (“HPE”), Everett Spinco, 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.

The principal transactions described in this document include the following:

- 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.

The CSC Board of Directors approved and agreed to submit the Merger to a vote of CSC stockholders. The CSC Board of Directors has determined that the terms of the Merger Agreement and Merger are advisable and in the best interests of CSC and its stockholders and has adopted the Merger Agreement and the Merger.

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,**

**“FOR” the approval, by an advisory vote of certain Merger-related compensation of CSC’s named executive officers, and “FOR” the adjournment of the special meeting, if necessary to solicit additional proxies if there are not sufficient votes to approve the plan of merger included in the Merger Agreement at the time of the special meeting.** Whether or not you expect to attend the special meeting in person, we urge you to submit your proxy as promptly as possible through one of the delivery methods described in the accompanying proxy statement/prospectus-information statement.

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.

Thanks for your continued support.

Sincerely,

J. Michael Lawrie  
Chairman and Chief Executive Officer

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.

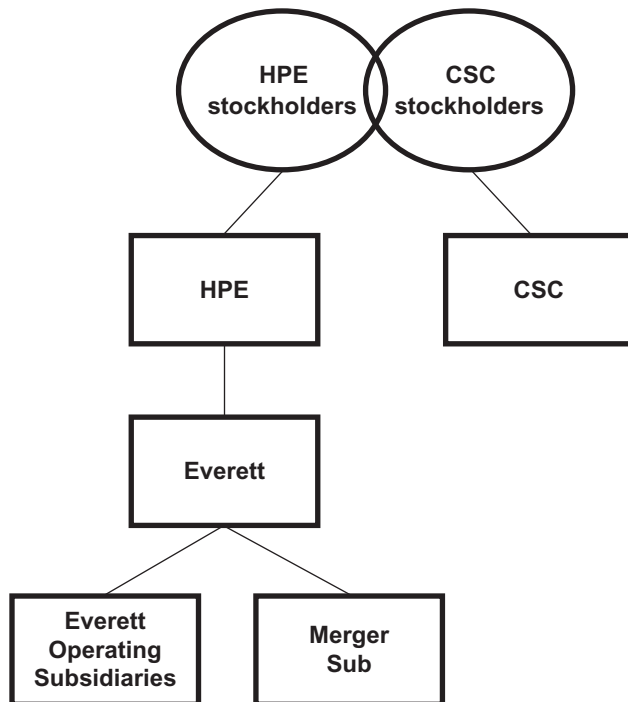
Step 4: Prior to the closing of the Distribution, Everett intends to enter into the Term Facility and issue the Notes in an aggregate principal amount of approximately \$3.1 billion. The proceeds of the Term Facility will be used to pay the Everett Payment to HPE and the Notes will be issued to HPE and 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.

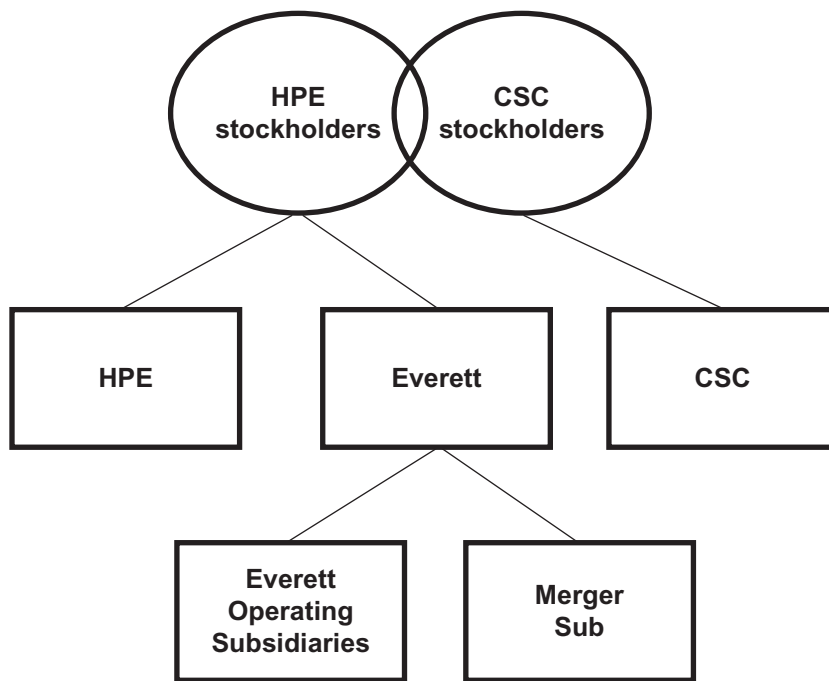
Step 5: Following the Distribution, Merger Sub will merge with and into CSC, whereby the separate corporate existence of Merger Sub will cease and CSC will continue as the surviving corporation and a wholly-owned subsidiary of Everett. Immediately prior to the effective time of the Merger, Everett will 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.

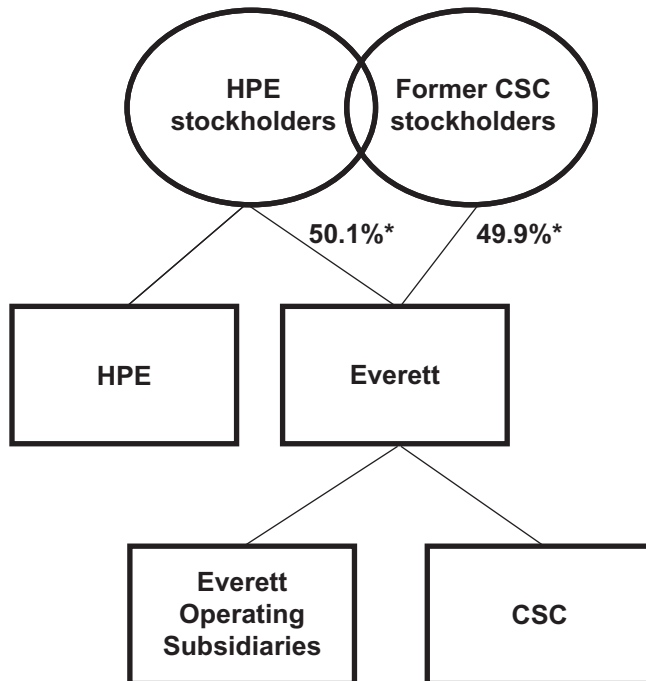
**Pre-Distribution Structure**



**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
Capitalization					
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.

	CSC Per Share Dividends	CSC Common Stock	
		High	Low
<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, is 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***

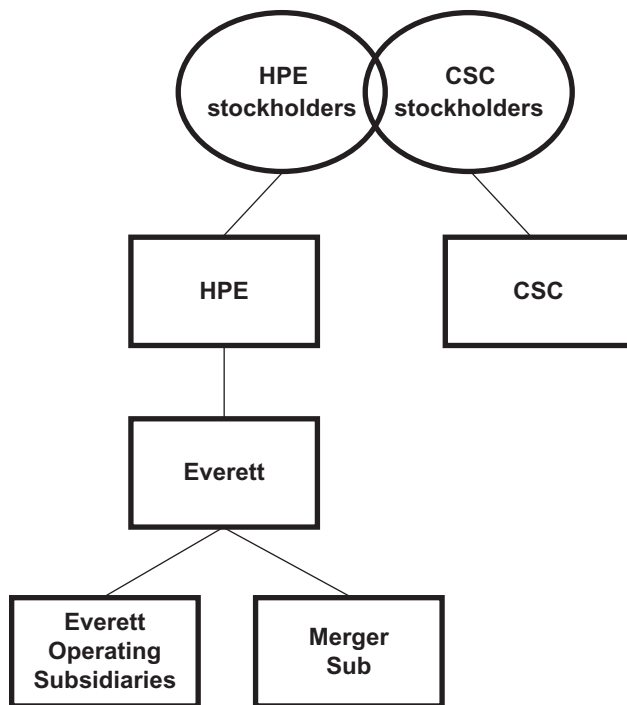
Prior to the closing of the Distribution, Everett intends to enter into the Term Facility and issue the Notes in an aggregate principal amount of approximately \$3.1 billion. The proceeds of the Term Facility will be used to pay the Everett Payment to HPE and the Notes will be issued to HPE and exchanged 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.

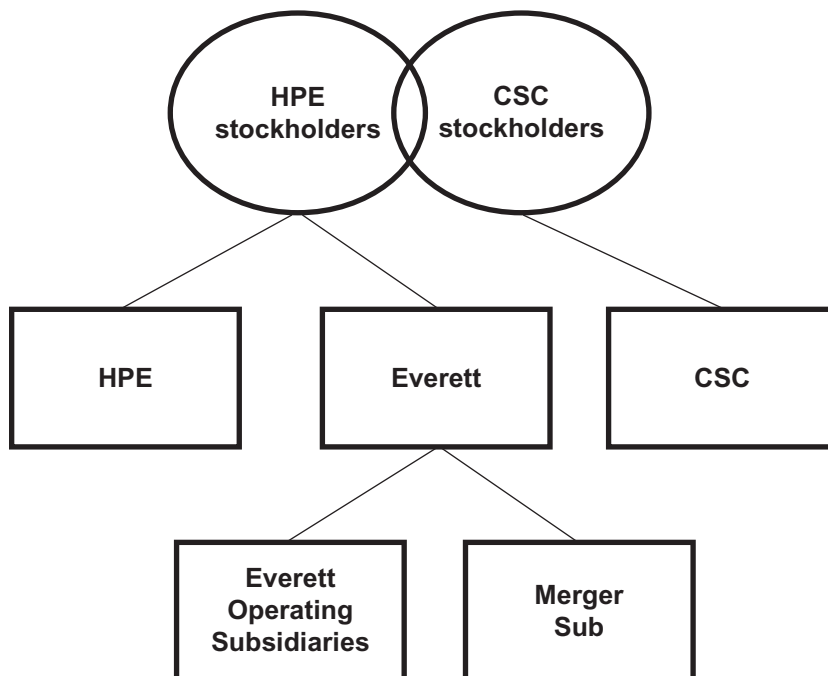
#### ***Step 5 Merger***

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.

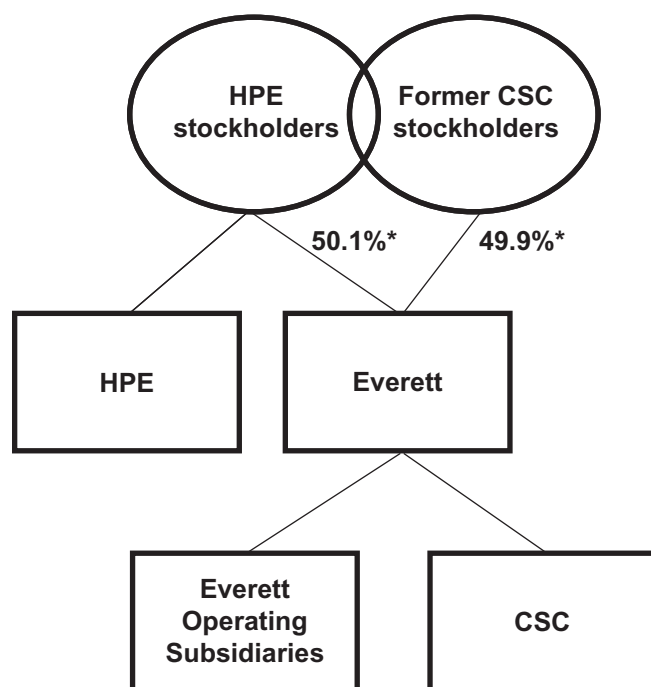
*Existing Structure*



*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.

**Lizabeth 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**

	<b>Historical</b>				
	<b>CSC as of July 1, 2016</b>	<b>Everett as of July 31, 2016</b>		<b>Transaction Adjustments</b>	<b>Pro Forma Combined</b>
<b>(in millions)</b>					
<b>ASSETS</b>					
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>
<b>LIABILITIES AND EQUITY</b>					
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	2,229	1,637	—	6,331	10,197
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>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 .....	\$ (21)	\$ (191)	\$ —	\$ 38	\$ (174)
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> . . . . .	<u>396</u>
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			Pro Forma Combined
	CSC April 1, 2016 <sup>(1)</sup>	Everett April 30, 2016	Adjustments <sup>(2)</sup>	
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	<p>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</p>	<p>The Everett Charter will provide that there must not be less than three nor more than 15 directors.</p> <p>The Everett Board of Directors will not be classified. All directors will be elected annually.</p>
Removal of Directors	<p>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.</p>	<p>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.</p>
Vacancies on the Board of Directors	<p>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</p>	<p>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.</p>

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**

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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**

	For the fiscal years ended October 31		
	2015	2014	2013
		In millions	
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 . . . . .	20,399	23,160	24,646
Loss from operations . . . . .	(1,367)	(1,298)	(970)
Interest and other, net . . . . .	(179)	(228)	(249)
Loss before taxes . . . . .	(1,546)	(1,526)	(1,219)
(Provision) benefit for taxes . . . . .	(339)	118	(433)
Net loss . . . . .	<u>\$ (1,885)</u>	<u>\$ (1,408)</u>	<u>\$ (1,652)</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.

### THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY

#### 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.

## EVERETT SPINCO, INC.

### THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY

#### 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

**EVERETT SPINCO, INC.**

**THE ENTERPRISE SERVICES BUSINESS OF HEWLETT PACKARD ENTERPRISE COMPANY**

**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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*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 .....	<u>\$19,032</u>	<u>\$21,862</u>	<u>\$23,676</u>
<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>

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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 .....	<u>\$—</u>	<u>\$(370)</u>	<u>\$(2,023)</u>	<u>\$(2,200)</u>

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 .....	<u>—</u>	<u>—</u>	<u>—</u>
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>	<u>5.5</u>	<u>\$27</u>	<u>3,199</u>	<u>\$26</u>

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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**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
	<i>In millions</i>		
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.

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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>

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**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.**

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**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>

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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:

	As of October 31, 2015			As of October 31, 2014		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	In millions					
Customer contracts, customer lists and distribution agreements .....	\$3,196	\$(2,866)	\$330	\$3,196	\$(2,467)	\$729

As of October 31, 2015, the weighted-average remaining useful life of finite-lived intangible assets was as follows:

	Weighted-Average Remaining Useful Life
	In years
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:

Fiscal year	In millions
2016 .....	\$330

**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.

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**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

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**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.

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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>

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**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.

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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.

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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		
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>

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**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)**

	Parent Company Investment	Accumulated Other Comprehensive Loss	Equity Attributable to Everett	Non- controlling Interests	Total Equity
	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

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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.

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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.

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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.

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*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)

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**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:

	<b>Nine months ended July 31, 2016</b>	
	<b>Shares</b>	<b>Weighted- Average Grant Date Fair Value Per Share</b>
	<b>In thousands</b>	
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:

	<b>Nine months ended July 31, 2016</b>
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 In thousands	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term In years	Aggregate Intrinsic Value 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 . . . . .	<u>\$3,139</u>	<u>\$(3,107)</u>	<u>\$32</u>	<u>\$3,196</u>	<u>\$(2,866)</u>	<u>\$330</u>

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) . . . . .	<u>\$32</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.

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 . . . . .	1	—
	<u>2</u>	<u>—</u>
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 . . . . .	1	6
	<u>7</u>	<u>1</u>
Taxes on change in unrealized components of defined benefit plans:		
Tax provision on amortization of actuarial loss and prior service benefit . . . . .	(5)	(7)
	<u>(5)</u>	<u>(7)</u>
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 . . . . .	(1)	—
	<u>(8)</u>	<u>(2)</u>
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> . . . . .	(46)	(84)
	<u>(6)</u>	<u>10</u>
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 . . . . .	—	4
	<u>57</u>	<u>95</u>
Change in cumulative translation adjustment . . . . .	(5)	—
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  
Page 5

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

**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 20. Indemnification of Directors and Officers.**

As permitted by Delaware law, our Certificate of Incorporation provides that no director shall be liable to Everett or our stockholders for monetary damages for breach of fiduciary duty as a director.

Our Certificate of Incorporation and Bylaws (“Bylaws”) permit Everett to indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he or she, or his or her testator or intestate is or was a director, officer or employee of Everett or any predecessor of Everett (which includes Hewlett-Packard Enterprise Company for periods prior to the Distribution) or serves or served at any other enterprise as a director, officer or employee at the request of Everett or any predecessor to Everett. Further, our bylaws require Everett to provide this indemnification.

In addition, our Bylaws provide that the expenses incurred by an indemnitee in connection with defending any proceeding, in advance of its final disposition, upon the request of the indemnitee and an undertaking by or on behalf of the indemnitee to repay the amounts advanced if it is determined ultimately that the indemnitee is not entitled to be indemnified.

The indemnification rights provided in our Bylaws are not exclusive of any other right to which persons seeking indemnification may otherwise be entitled.

**Item 21. Exhibits and Financial Statement Schedules.**

The following documents are filed as exhibits hereto:

<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.)
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2.5	Form of Transition Services Agreement between Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (Incorporated by reference to Exhibit 2.5 to Form 10 of Everett SpinCo, Inc., filed with the Securities and Exchange Commission on November 2, 2016.)
2.6	Form of Tax Matters Agreement, by and among Computer Sciences Corporation, Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (Incorporated by reference to Exhibit 2.6 to Form 10 of Everett SpinCo, Inc., filed with the Securities and Exchange Commission on November 2, 2016.)

<u>Exhibit Number</u>	<u>Description</u>
2.7	Form of Employee Matters Agreement, by and among Computer Sciences Corporation, Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (Incorporated by reference to Exhibit 2.7 to Form 10 of Everett SpinCo, Inc., filed with the Securities and Exchange Commission on November 2, 2016.)
2.8	Form of Real Estate Matters Agreement between Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (Incorporated by reference to Exhibit 2.8 to Form 10 of Everett SpinCo, Inc., filed with the Securities and Exchange Commission on November 2, 2016.)
2.9	Form of Intellectual Property Matters Agreement, by and among Hewlett Packard Enterprise Company, Hewlett Packard Enterprise Development LP and Everett SpinCo, Inc. (Incorporated by reference to Exhibit 2.9 to Form 10 of Everett SpinCo, Inc., filed with the Securities and Exchange Commission on November 2, 2016.)
3.1	Certificate of Incorporation of Everett SpinCo, Inc. (Incorporated by reference to Exhibit 3.1 to Form 10 of Everett SpinCo, Inc., filed with the Securities and Exchange Commission on November 2, 2016.)
3.2	Bylaws of Everett SpinCo, Inc. (Incorporated by reference to Exhibit 3.2 to Form 10 of Everett SpinCo, Inc., filed with the Securities and Exchange Commission on November 2, 2016.)
4.1	Specimen Common Stock Certificate of Everett SpinCo, Inc.*
5.1	Opinion of Gibson, Dunn & Crutcher LLP*
8.1	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP*
21.1	Subsidiaries of Everett SpinCo, Inc.*
23.1	Consent of Deloitte & Touche LLP
23.2	Consent of Independent Registered Public Accounting Firm
23.3	Consent of Gibson, Dunn & Crutcher LLP (included in Exhibit 5.1)*
23.4	Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in Exhibit 8.1)*
24.1	Power of Attorney (included in signature page)
99.1	Consent of RBC Capital Markets, LLC
99.2	Form of Articles of Incorporation of Everett SpinCo, Inc. following the Merger. (Incorporated by reference to Exhibit 99.5 to Form 10 of Everett SpinCo, Inc., filed with the Securities and Exchange Commission on November 2, 2016.)
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\* To be filed by amendment.

## **Item 22. Undertakings.**

- (i) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(ii)

- (1) The undersigned registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.
  - (2) The registrant undertakes that every prospectus (i) that is filed pursuant to paragraph (1) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.
- (iii) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.
- (iv) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.
- (v) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant, Everett SpinCo, Inc., has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Town of Palo Alto, State of California, on the 2nd day of November, 2016.

EVERETT SPINCO, INC.

By: /s/ Rishi Varma  
Name: Rishi Varma  
Title: President and Secretary

**KNOW ALL PERSONS BY THESE PRESENTS**, that each person whose signature appears below hereby constitutes and appoints each of Rishi Varma and Timothy C. Stonesifer as his true and lawful agent, proxy and attorney-in-fact, each acting alone with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to (i) act on, sign and file with the Securities and Exchange Commission any and all amendments (including post-effective amendments) to this Registration Statement on Form S-4 together with all schedules and exhibits thereto, (ii) act on, sign and file such certificates, instruments, agreements and other documents as may be necessary or appropriate in connection therewith, and (iii) take any and all actions which may be necessary or appropriate in connection therewith, granting unto such agents, proxies and attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing necessary or appropriate to be done, as fully for all intents and purposes as he might or could do in person, hereby approving, ratifying and confirming that all such agents, proxies and attorneys-in-fact, any of them or any of his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

To effect the above, each of the undersigned has executed this Power of Attorney as of the date indicated beside each name.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the date indicated.

<u>Signature</u>	<u>Title(s)</u>	<u>Date</u>
<u>/s/ Rishi Varma</u> Rishi Varma	President, Secretary and Director (Principal Executive Officer)	November 2, 2016
<u>/s/ Timothy C. Stonesifer</u> Timothy C. Stonesifer	Chief Financial Officer and Director (Principal Financial Officer and Principal Accounting Officer)	November 2, 2016
<u>/s/ Jeremy K. Cox</u> Jeremy K. Cox	Director	November 2, 2016

## EXHIBIT INDEX

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5.1	Opinion of Gibson, Dunn & Crutcher LLP*
8.1	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP*
21.1	Subsidiaries of Everett SpinCo, Inc.*
23.1	Consent of Deloitte & Touche LLP

<b><u>Exhibit Number</u></b>	<b><u>Description</u></b>
23.2	Consent of Independent Registered Public Accounting Firm
23.3	Consent of Gibson, Dunn & Crutcher LLP (included in Exhibit 5.1)*
23.4	Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in Exhibit 8.1)*
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\* To be filed by amendment.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in this Registration Statement on Form S-4 of our reports dated June 14, 2016, relating to the consolidated financial statements and financial statement schedule of Computer Sciences Corporation and subsidiaries (the “Company”), and the effectiveness of the Company’s internal control over financial reporting (which report expresses an adverse opinion on the effectiveness of the Company’s internal control over financial reporting because of a material weakness), appearing in the Annual Report on Form 10-K of Computer Sciences Corporation for the fiscal year ended April 1, 2016, and to the reference to us under the heading “Experts” in the Prospectus, which is part of this Registration Statement.

/s/ Deloitte & Touche LLP

McLean, Virginia  
November 2, 2016

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated October 31, 2016, included in the Proxy Statement/Prospectus-Information Statement that is made a part of the Registration Statement (Form S-4) and Prospectus of Everett SpinCo, Inc. for the registration of 140,427,000 shares of its common stock.

/s/ Ernst & Young LLP

San Jose, California  
October 31, 2016

[LETTERHEAD OF RBC CAPITAL MARKETS, LLC]

The Board of Directors  
Computer Sciences Corporation  
1775 Tysons Boulevard  
Tysons, Virginia 22102

The Board of Directors:

We hereby consent to the inclusion of our opinion letter, dated May 23, 2016, to the Board of Directors of Computer Sciences Corporation (“CSC”) as Annex A to, and reference to such opinion letter under the headings “SUMMARY — Opinion of CSC’s Financial Advisor” and “THE TRANSACTIONS — Opinion of CSC’s Financial Advisor” in, the proxy statement/prospectus-information statement relating to the proposed merger involving CSC and Everett Spingo, Inc. (“Everett”), which proxy statement/prospectus-information statement forms a part of the Registration Statement on Form S-4 of Everett (the “Registration Statement”). By giving such consent, we do not thereby admit that we are experts with respect to any part of such Registration Statement within the meaning of the term “expert” as used in, or that we come within the category of persons whose consent is required under, the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

Very truly yours,

/s/ RBC Capital Markets, LLC

RBC CAPITAL MARKETS, LLC

November 2, 2016