

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

**Amendment No. 2
to
FORM 10**

**GENERAL FORM FOR REGISTRATION OF SECURITIES
PURSUANT TO SECTION 12(b) OR 12(g) OF
THE SECURITIES EXCHANGE ACT OF 1934**

PERSPECTA INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

82-3141520
(I.R.S. Employer
Identification No.)

13600 EDS Drive
Herndon, VA
(Address of registrant's principal executive offices)

20171
(Zip Code)

Registrant's telephone number, including area code:
(703) 245-9675

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

Title of each class to be so registered
Common Stock, par value \$0.01

Name of exchange on which each class is to be registered
New York Stock Exchange

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

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

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☒ (Do not check if a smaller reporting company) Smaller Reporting company ☐
Emerging growth company ☐

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

Perspecta
Information Required in Registration Statement
Cross-Reference Sheet Between the Information Statement and Items of Form 10

This Amendment No. 2 to the Registration Statement on Form 10 incorporates by reference information contained in the Information Statement filed as Exhibit 99.1 to this Form 10. For your convenience, we have provided below a cross-reference sheet identifying where the items required by Form 10 can be found in the Information Statement. None of the information contained in the Information Statement shall be incorporated by reference herein or deemed to be a part hereof unless such information is specifically incorporated by reference.

Item No.	Caption	Location in Information Statement
1.	Business	See “Summary,” “Risk Factors,” “Cautionary Statement Concerning Forward-Looking Statements,” “The Transactions,” “Capitalization,” “Business of USPS,” “Business of Vencore,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations of USPS,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Vencore” and “Where You Can Find More Information”
1A.	Risk Factors	See “Risk Factors,” and “Cautionary Statement Concerning Forward-Looking Statements”
2.	Financial Information	See “Summary,” “Summary Historical Combined Financial Data of USPS,” “Summary Historical Combined Financial Data of Vencore,” “Summary Pro Forma Condensed Combined Financial and Other Data of Perspecta,” “Risk Factors,” “Capitalization,” “Selected Historical Combined Financial Data for USPS,” “Selected Historical Combined Financial Data for Vencore,” “Unaudited Pro Forma Condensed Combined Financial Statements of Perspecta,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations of USPS” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Vencore”
3.	Properties	See “Business of USPS—Properties” and “Business of Vencore—Properties”
4.	Security Ownership of Certain Beneficial Owners and Management	See “Security Ownership of Certain Beneficial Owners, Directors and Executive Officers of Perspecta”
5.	Directors and Executive Officers	See “Management of Perspecta Following the Transaction”
6.	Executive Compensation	See “Management of Perspecta Following the Transactions” and “Executive Compensation”
7.	Certain Relationships and Related Transactions, and Director Independence	See “Risk Factors,” “Management of Perspecta Following the Transactions,” “The Separation and Distribution Agreement and Ancillary

Item No.	Caption	Location in Information Statement
		Agreements” and “Certain Relationships and Related Party Transactions”
8.	Legal Proceedings	See “Business of USPS—Legal Proceedings,” “Business of Vencore—Legal Proceedings” and “Risk Factors—We are defendants in pending litigation that may have a material and adverse impact on our profitability and liquidity”
9.	Market Price of and Dividends on the Registrant’s Common Equity and Related Stockholder Matters	See “The Transactions,” “Dividend Policy,” “Security Ownership of Certain Beneficial Owners, Directors and Executive Officers of Perspecta” and “Description of Our Capital Stock”
10.	Recent Sales of Unregistered Securities	See “Description of Our Capital Stock”
11.	Description of Registrant’s Securities to be Registered	See “Description of Our Capital Stock”
12.	Indemnification of Directors and Officers	See “Risk Factors,” “The Merger Agreement,” “The Separation and Distribution Agreement and Ancillary Agreements,” “Certain Relationships and Related Party Transactions—Agreements with DXC” and “Description of Our Capital Stock”
13.	Financial Statements and Supplementary Data	See “Summary,” “Summary Historical Combined Financial Data of USPS,” “Summary Historical Combined Financial Data of Vencore,” “Summary Pro Forma Condensed Combined Financial and Other Data of Perspecta,” “Selected Historical Combined Financial Data for USPS,” “Selected Historical Combined Financial Data for Vencore,” “Unaudited Pro Forma Condensed Combined Financial Statements of Perspecta,” and “Index to Financial Statements” and the financial statements referenced therein
14.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	None
15.	Financial Statements and Exhibits	(a) Financial Statements (b) Exhibits See below

The following documents are filed as exhibits hereto:

<u>Exhibit Number</u>	<u>Exhibit Description</u>
2.1	Agreement and Plan of Merger, dated October 11, 2017, by and among DXC Technology Company, Ultra SC Inc., Ultra First VMS Inc., Ultra Second VMS LLC, Ultra KMS Inc., Vencore Holding Corp., KGS Holding Corp., The SI Organization Holdings LLC, and KGS Holding LLC (incorporated by reference to Exhibit 2.1 to DXC Technology Company's Form 8-K (filed October 13, 2017) (file no. 001-38033))
2.2	Form of Separation and Distribution Agreement between DXC Technology Company and Perspecta Inc.*
2.3	Form of Transition Services Agreement between DXC Technology Company and Perspecta Inc.*
2.4	Form of Tax Matters Agreement between DXC Technology Company and Perspecta Inc.*
2.5	Form of Employee Matters Agreement between DXC Technology Company and Perspecta Inc.*
2.6	Form of Real Estate Matters Agreement between DXC Technology Company and Perspecta Inc.*
2.7	Form of Intellectual Property Matters Agreement between DXC Technology Company and Perspecta Inc.*
2.8	Form of Exclusive Non-U.S. Agency Agreement between DXC Technology Company and Perspecta Inc.
3.1	Amended and Restated Articles of Incorporation of Perspecta Inc.
3.2	Amended and Restated Bylaws of Perspecta Inc.
10.1	Letter Agreement, dated as of October 11, 2017, by and among Ultra SC Inc., Veritas Capital Fund Management, L.L.C., The SI Organization Holdings LLC, and KGS Holding LLC†
21.1	List of Subsidiaries of Perspecta Inc.†
99.1	Preliminary Information Statement of Perspecta Inc., subject to completion, dated April 11, 2018
99.2	Form of Notice of Internet Availability of Information Statement Materials
*	Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant hereby undertakes to furnish copies of any of the omitted schedules and exhibits upon request by the U.S. Securities and Exchange Commission.
†	Previously filed on February 8, 2018.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 2 to its Registration Statement on Form 10 to be signed on its behalf by the undersigned, thereunto duly authorized.

PERSPECTA INC.

By: /s/ William L. Deckelman, Jr.

Name: William L. Deckelman, Jr.

Title: Vice President & Secretary

Dated: April 11, 2018

SEPARATION AND DISTRIBUTION AGREEMENT

DATED AS OF [●]

by and between

DXC TECHNOLOGY COMPANY

and

PERSPECTA INC.

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Schedule 3.3(a)	Delta Officers
Schedule 8.1(b)	Document Retention Policies

This **SEPARATION AND DISTRIBUTION AGREEMENT** (this “**Agreement**”) is dated as of [●] by and between [Delta], a Nevada corporation (“**Delta**”), and Ultra SC Inc., a Nevada corporation (“**Ultra**”). Each of Delta and Ultra is sometimes referred to herein as a “**Party**” and, collectively, as the “**Parties**”.

WHEREAS:

- (A) Delta, acting through its direct and indirect Subsidiaries, currently conducts the Delta Business and the Ultra Business;
- (B) the Board of Directors of Delta (the “**Board**”) has determined that it is appropriate, desirable and in the best interests of Delta and its stockholders to separate Delta into two separate, publicly traded companies, one for each of (i) the Delta Business, which shall be owned and conducted, directly or indirectly, by Delta and (ii) the Ultra Business, which shall be owned and conducted, directly or indirectly, by Ultra;
- (C) in order to effect such separation, the Board has determined that it is appropriate, desirable and in the best interests of Delta and its stockholders to undertake the Internal Reorganization and, following the completion of the Internal Reorganization, for Delta to distribute pro rata to the Record Holders, all of the issued and outstanding shares of Ultra Common Stock (the “**Distribution**”);
- (D) it is the intention of the Parties that the Distribution qualify as a tax-free distribution (except to the extent of cash received in lieu of fractional shares) under Section 355 of the Internal Revenue Code of 1986, as amended (the “**Code**”);
- (E) it is the intention of the Parties that the contributions of Ultra Assets to, and the assumptions of Ultra Liabilities by, Ultra prior to the Distribution, together with the Distribution, qualify as a reorganization within the meaning of Section 368(a)(1)(D) of the Code; and
- (F) pursuant to the Agreement and Plan of Merger, dated as of [●] (the “**Merger Agreement**”), by and among Delta, Ultra, [Vector], [Kodiak], Ultra KMS Inc, Ultra First VMS Inc., Ultra Second VMS LLC and [Enumerated Stockholders], immediately following the Distribution, a) Vector Merger Corp will be merged with and into Vector (the “**First Vector Merger**”) with Vector surviving the First Vector Merger, (b) immediately following the First Vector Merger, Vector, as the surviving entity of the First Vector Merger, will be merged with and into Vector Merger LLC (the “**Second Vector Merger**”, and together with the First Vector Merger, the “**Vector Mergers**”) with Vector Merger LLC surviving the Second Vector Merger, and (c) concurrently with the First Vector Merger, the Kodiak Merger Sub will be merged with and into Kodiak (the “**Kodiak Merger**”, and together with the Vector Mergers, the “**Mergers**”, and each, a “**Merger**”) with Kodiak surviving the Kodiak Merger.

NOW, THEREFORE, in consideration of and subject to the premises and the mutual agreements, terms and conditions herein contained, the benefits to be derived therefrom and other good and valuable consideration, the receipt and the sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 General

As used in this Agreement, the following terms shall have the following meanings:

“Action” shall mean any demand, action, claim, suit, countersuit, arbitration, inquiry, subpoena, case, litigation, proceeding or investigation (whether civil, criminal, administrative or investigative) by or before any court or grand jury, any Governmental Entity or any arbitration or mediation tribunal.

“Affiliate” shall mean, when used with respect to any Person, another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such Person. For the purposes of this definition, **“control”**, when used with respect to any Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other interests, by Contract or otherwise. It is expressly agreed that for purposes of this Agreement and the Ancillary Agreements no Party or member of any Party’s Group shall be deemed to be an Affiliate of another Party or member of such other Party’s Group, regardless of whether the Parties have one or more directors in common or were under the common control of Delta or Delta’s stockholders prior to the Effective Time.

“Ancillary Agreements” shall mean all of the written Contracts (other than this Agreement) entered into in connection with the transactions contemplated hereby, including the Transfer Instruments, the Transition Services Agreement, the Employee Matters Agreement, the Tax Matters Agreement, the IP Matters Agreement, the Real Estate Matters Agreements and the Non-US Agency Agreement.

“Annual Reports” shall have the meaning set out in Section 7.2(c).

“Annualized Ultra Corporate Expenses” shall have the meaning set forth in Section 2.2(f)(ii).

“Assets” shall mean assets (including goodwill), properties, claims, Intellectual Property and other rights, wherever located (including in the possession of vendors or other third parties or elsewhere), of every kind, character and description, whether real, personal or mixed, tangible, intangible or contingent, in each case whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person. Except as otherwise specifically set forth herein or in the Tax Matters Agreement, the rights and obligations of the Parties with respect to Taxes shall be governed by the Tax Matters Agreement and, therefore, the rights and obligations with respect to Taxes shall not be treated as Assets.

“Audited Party” shall have the meaning set out in Section 7.2(b).

“Bids” shall have the meaning set out in Section 2.9.

“Board” shall have the meaning set out in Recitals.

“Business Day” means any day that is not a Saturday, a Sunday or any other day on which banks are required or authorized by Law to be closed in New York or Virginia.

“Claims Administration” shall mean the processing of claims made under the Company Policies, including the reporting of losses or claims to insurance carriers (including as a result of reports provided to Delta by Ultra), management and defense of claims, the settlement of claims and providing for appropriate releases upon settlement of claims.

“Code” shall have the meaning set out in Recitals.

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

“Company Policies” shall mean all Policies, current or past, which are or at any time were maintained by or on behalf of or for the benefit or protection of Delta or any of its predecessors which relate to the Delta Business and/or the Ultra Business, or current or past directors, officers, employees or agents of any of the foregoing Businesses.

“Confidential Information” shall mean all non-public, confidential or proprietary Information of or concerning a Party, its Group and/or its Subsidiaries or their past, current or future activities, businesses, finances, assets, liabilities or operations, including any such Information that was acquired by any Party after the Effective Time, or that was provided to a Party by a third party in confidence, except for any Information that is (i) in the public domain or available to the public through no fault of the receiving Party or its Subsidiaries, (ii) lawfully acquired after the Effective Time by such Party or its Subsidiaries from other sources not known to be subject to confidentiality obligations with respect to such Information or (iii) independently developed by the receiving Party after the Effective Time without reference to any Confidential Information.

“Consents” shall mean any consents, waivers or approvals from, or notification requirements to, any Person other than a Governmental Entity.

“Contract” shall mean any agreement, contract, subcontract, obligation, binding understanding, note, indenture, guarantee, instrument, option, lease, promise, arrangement, release, warranty, license, sublicense, insurance policy, benefit plan, purchase order or legally binding commitment or undertaking of any nature (whether written or oral and whether express or implied).

“Corporate Liabilities” shall mean any and all Liabilities of Delta and its Subsidiaries that arise out of (i) the activities and business of the Delta corporate division as conducted at any time prior to the Effective Time or (ii) any Discontinued Operation to the extent the same are not Ultra Liabilities.

“CPR” shall have the meaning set out in Section 8.2.

“Customer Contract” shall mean a Contract that calls for a Delta Entity or Ultra Entity to deliver goods or services to a customer.

“Debt Exchange” shall have the meaning set forth in the Merger Agreement.

“Delta” shall have the meaning set out in Preamble.

“Delta Assets” shall mean any and all Assets that are owned, leased or licensed, at or prior to the Effective Time, by Delta and/or any of its Subsidiaries, that are not Ultra Assets, including:

- (a) any and all Assets that are expressly contemplated by this Agreement or any Ancillary Agreement as Assets which are to remain with (or be transferred to) Delta or any other member of the Delta Group;
- (b) the ownership interests in all Entities that are owned by Delta or its Subsidiaries other than the Ultra Entities (such entities, the **“Delta Entities”**);
- (c) all rights, title and interest in and to the owned real property not allocated to Ultra under the Real Estate Matters Agreement (the **“Delta Owned Real Property”**);

- (d) all right, title and interest in, to and under the leases or subleases of the real property not allocated to Ultra under the Real Estate Matters Agreement the “**Delta Leases**”), including, to the extent provided for in any Delta Lease, any land and land improvements, structures, buildings and building improvements, other improvements and appurtenances located thereon;
- (e) all fixtures, machinery, equipment, apparatuses, computer hardware and other electronic data processing and communications equipment, tools, instruments, furniture, office equipment, automobiles, trucks and other transportation equipment and other tangible personal property located at the Delta Owned Real Property or the locations subject to the Delta Leases, except for the Ultra Personal Equipment;
- (f) all personal computers, cellular phones, personal data devices, chairs and other office equipment used primarily by a Delta Group Employee (as defined in the Employee Matters Agreement (the “**Delta Personal Equipment**”));
- (g) all inventories, including products, goods, materials, parts, raw materials, work in process and supplies;
- (h) all Delta Contracts and any rights or claims arising thereunder;
- (i) (A) all Intellectual Property registrations and applications and the items of unregistered Intellectual Property owned by Delta or its Subsidiaries; (B) all other Intellectual Property owned by Delta or its Subsidiaries; and (C) all physical, tangible and other materials (including source code and website content) embodying any of the foregoing in (A) or (B);
- (j) all licenses, permits, approvals and authorizations which have been issued by any Governmental Entity;
- (k) all Information that is not Ultra Information (the “**Delta Information**”); provided that regardless of whether Information is Ultra Information or Delta Information, if Delta (or a Delta Group Employee (as defined in the Employee Matters Agreement)) is in possession of such Information as of the Effective Time, Delta shall retain such Information (subject to Section 7.3);
- (l) all deposits, prepaid expenses, letters of credit and performance and surety bonds;
- (m) all bonds, notes, debentures or other debt securities issued by any Person and held by any member of the Delta Group, all loans, advances or other extensions of credit or capital contributions to any Person on the books of any member of the Delta Group and all other investments in securities of any Person held by any member of the Delta Group;
- (n) subject to Section 9 (Insurance), any rights of any member of the Delta Group under any Policies, including any rights thereunder arising after the Effective Time in respect of any Company Policies and all rights in the nature of insurance, indemnification or contribution; and
- (o) any claims, counterclaims, setoffs, rights of recoupment, equity rights or defenses, whether known or unknown, that Delta and/or any of its Subsidiaries may have with respect to any Delta Assets and Delta Liabilities.

Notwithstanding the foregoing, the Delta Assets shall not include any Assets that are expressly contemplated by this Agreement or by any Ancillary Agreement (or the Schedules hereto or thereto) as Assets to be Transferred to any member of the Ultra Group, including any Assets specified in the definition of Ultra Assets.

“Delta Business” shall mean (i) the businesses of the Delta Operating Group, other than the Ultra Business, whether conducted prior to, at or after the Effective Time and (ii) any and all businesses of the Delta Group after the Effective Time (including any businesses acquired or established by or for Delta or any of its Subsidiaries after the Effective Time).

“Delta Common Stock” shall mean the common stock of Delta, par value \$0.01 per share.

“Delta Contracts” shall mean any Contract, in each case except for any such Contract or part thereof that is a Ultra Contract, to which Delta or any of its Subsidiaries (other than members of the Ultra Group) is a party as of the date hereof or becomes a party prior to the Effective Time or becomes a party after the Effective Time in respect of quotations, proposals and bids that were pending as of the date hereof or by which it or any of its Subsidiaries or any of their respective Assets is bound as of the date hereof or becomes bound prior to the Effective Time, including:

- (a) any Contract entered into in the name of, or expressly on behalf of, any Delta Entity or Delta Operating Group (or sub-division thereof);
- (b) any Contract that relates primarily to the Delta Business, including any contract providing for the acquisition or disposition of a Delta Entity or any Delta Assets;
- (c) any Contract that represents, underlies or relates primarily to any Delta Assets or Delta Liabilities;
- (d) any Contract or part thereof that is otherwise expressly contemplated pursuant to this Agreement or any of the Ancillary Agreements to be assigned to any member of the Delta Group; and
- (e) any guarantee, indemnity, representation or warranty of or in favor of any member of the Delta Group.

“Delta Entities” shall have the meaning set out in paragraph (b) of definition Delta Assets.

“Delta Field” shall mean any licenses, services or sales (as applicable), directly or indirectly: (1) under any Existing Delta State and Local Contracts and any extensions, renewals or recompetes thereof and (2) outside the Ultra Field and the Shared Field.

“Delta Group” shall mean Delta, the Delta Entities and each Entity that becomes a Subsidiary of Delta after the Effective Time.

“Delta Indemnitees” shall mean each member of the Delta Group and each of their respective Affiliates from and after the Effective Time and each member of the Delta Group’s and such Affiliates’ respective directors, officers, employees and agents and each of the heirs, executors, successors and assigns of any of the foregoing.

“Delta Information” shall have the meaning set out in paragraph (f) of definition Delta Assets.

“Delta Leases” shall have the meaning set out in paragraph (d) of definition Delta Assets.

“Delta Liabilities” shall mean any and all Liabilities to the extent arising out of: (a) the operation or conduct of the Delta Business, as conducted at any time prior to, at or after the Effective Time (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person’s authority) of the Delta Group which relates to the Delta Business); (b) the operation or conduct of any business conducted by any member of the Delta Group at any time after the Effective Time (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person’s authority) of the Delta Group which relates to the Delta Business); or (c) any Delta Assets, whether arising prior to, at or after the Effective Time; and each of the following Liabilities (whether arising prior to, at or after the Effective Time):

- (a) any Liabilities to the extent arising out of the Delta Contracts;
- (b) any Corporate Liability;
- (c) any Liabilities to the extent arising out of any (x) Actions or disputes related to the Delta Business and (y) Actions or disputes set forth on Schedule 1.1(s)(IV);
- (d) any Liabilities assumed or retained by the Delta Group pursuant to this Agreement or the Ancillary Agreements;
- (e) any Liabilities to the extent arising out of any infringement by the Delta Business of the Intellectual Property of any other Person or breach by the Delta Business of any Contract relating to Intellectual Property;
- (f) any Liabilities to the extent arising out of any (A) violation prior to the Effective Time of any Environmental Laws by the Delta Group or the conduct of the Delta Business, (B) use, treatment, or disposal prior to the Effective Time of Materials of Environmental Concern by or on behalf of the Delta Group or in the conduct of the Delta Business or (C) presence of Materials of Environmental Concern at, or release of Materials of Environmental Concern from any Delta Assets;
- (g) any Liabilities to the extent arising out of any Discontinued Operation that was not related to the Ultra Business;
- (h) any Liabilities arising out of Indebtedness (other than the Ultra Existing Notes, capital leases or, operating leases relating to the Ultra Business or Ultra Assets or under the Financing Agreements) of Delta or any of its Subsidiaries (including the Ultra Group).
- (i) any Action by any Third Party, including any shareholder derivative action, asserted against any member of the Delta Group or the Ultra Group directly based on any act or omission, or alleged act or omission, taken to effect the Distribution and the other transactions contemplated by this Agreement and the Ancillary Agreements; and
- (j) any Action arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in the Form 10 (including any amendments thereto), the Information Statement (including any amendments or supplements thereto), or arising out of or based upon

any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading with respect to information or statements made or incorporated by reference in the Registration Statement except to the extent such information or statements were provided by or on behalf of Vector, Kodiak or any Enumerated Stockholder for inclusion therein.

Notwithstanding the foregoing, the Delta Liabilities shall not include any Liabilities that are (A) expressly contemplated by any Ancillary Agreement (or the Schedules thereto) as Liabilities to be assumed by any member of the Ultra Group or (B) expressly discharged pursuant to Section 6.1 of this Agreement.

For the avoidance of doubt, no Liability shall be a Delta Liability solely as a result of Delta being named as party to or in any Action relating to any Ultra Liability due to Delta's status as a remaining or legacy Entity, or as a result of its status as the former direct or indirect stockholder of any Entity.

"Delta Operating Group" means the Global Business Services and Global Infrastructure Services business units of the Delta Group.

"Delta Owned Real Property" shall have the meaning set out in paragraph (c) of definition Delta Assets.

"Delta Personal Equipment" shall have the meaning set out in paragraph (k) of definition Delta Assets.

"Discontinued Operation" shall mean any operating group, business unit, operation, division, Subsidiary, line of business or investment managed or operated by Delta or any of its Subsidiaries at any time prior to the Effective Time and sold, transferred or otherwise discontinued prior to the Effective Time.

"Dispute Notice" shall have the meaning set out in Section 8.1.

"Disputes" shall have the meaning set out in Section 8.1.

"Distribution" shall have the meaning set out in Preamble.

"Distribution Agent" shall mean Wells Fargo Shareowner Services.

"Distribution Date" shall mean the date, as shall be determined by the Board, on which the Distribution occurs.

"Distribution Date Capital Leases" shall have the meaning set forth in Section 2.2(g).

"Effective Time" shall mean the time on the Distribution Date at which the Distribution occurs.

"Employee Matters Agreement" shall mean the Employee Matters Agreement by and between Delta and Ultra dated as of the date hereof.

"Entity" shall mean any corporation, partnership, limited liability company, joint venture or other entity which may legally hold title to Assets.

"Environmental Laws" shall mean all Laws relating to pollution, protection of the environment, or protection against harmful or deleterious substances.

“Existing Delta State and Local Contracts” shall mean those Contracts and Bids that (a) involve a U.S. state or local Governmental Entity, and (b) that relate primarily to the Delta Business, including those set forth on Schedule 1.1(b).

“Existing Ultra State and Local Contracts” shall mean those Contracts and Bids that (a) involve a U.S. state or local Governmental Entity, and (b) that relate primarily to the Ultra Business, including those set forth on Schedule 1.1(c).

“Federal Government Customer” shall mean (i) any United States federal Governmental Entity or any branch or location thereof located outside of the Territory and (ii) any Governmental Entity outside the United States if and to the extent that Ultra provides Services to such Governmental Entity located outside the United States that are sponsored or financed by a United States federal Governmental Entity.

“Final Determination” shall have the meaning set forth in the Tax Matters Agreement.

“Financing Agreements” shall mean one or more financing agreements established prior to the Distribution providing for credit facilities and/or loans that will not exceed \$[●] in amounts drawn at the time of Distribution.

“Force Majeure” shall mean, with respect to a Party, an event beyond the control of such Party (or any Person acting on its behalf), which by its nature could not have been foreseen by such Party (or such Person), or, if it could have been foreseen, was unavoidable, and includes acts of God, storms, floods, riots, labor unrest, pandemics, nuclear incidents, fires, sabotage, civil commotion or civil unrest, interference by civil or military authorities, acts of war (declared or undeclared) or armed hostilities or other national or international calamity or one or more acts of terrorism or failure of energy sources or distribution facilities.

“Form 10” shall mean the registration statement on Form 10 to be filed by Ultra with the Commission under the Securities Exchange Act of 1934, as amended, in connection with the Distribution, including all exhibits thereto and any amendment or supplement thereto.

“Governmental Approvals” shall mean any notices or reports to be submitted to, or other registrations or filings to be made with, or any consents, approvals, licenses, permits or authorizations to be obtained from, any Governmental Entity.

“Governmental Entity” shall mean any nation or government, any state, municipality or other political subdivision thereof and any entity, body, agency, commission, department, board, bureau or court, whether domestic, foreign or multinational, exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any executive official thereof.

“Group” shall mean (i) with respect to Delta, the Delta Group and (ii) with respect to Ultra, the Ultra Group.

“HPE Transition Services Agreement” shall mean the Transition Services Agreement dated as of March 31, 2017 by and between Hewlett Packard Enterprise Company and Delta (formerly Everett Spingo, Inc.).

“Income Taxes” shall have the meaning set forth in the Tax Matters Agreement.

“Indebtedness” shall mean, with respect to any Person, (i) the principal value, prepayment and redemption premiums and penalties (if any), unpaid fees and other monetary obligations in respect of any indebtedness for borrowed money, whether short term or long term, including all obligations evidenced by bonds, debentures, notes, other debt securities or similar instruments, (ii) any indebtedness arising under any capital leases (excluding, for the avoidance of doubt, any real estate leases), whether short term or long term, (iii) all liabilities secured by any lien on any assets of such Person, (iv) all liabilities under any swap or hedging arrangement, (v) all interest bearing indebtedness for the deferred purchase price of property or services, (vi) all liabilities under any letters of credit, performance bonds, bankers acceptances or similar obligations, (vii) all interest, prepayment or breakage costs, fees and other expenses owed with respect to indebtedness described in the foregoing clauses (i) through (vii), without duplication, all guarantees of indebtedness referred to in the foregoing clauses (i) through (vii).

“Indemnifying Party” shall have the meaning set out in Section 6.4(a).

“Indemnitee” shall have the meaning set out in Section 6.4(a).

“Indemnity Payment” shall have the meaning set out in Section 6.7(a).

“Information” shall mean information and data in written, oral, electronic, computerized, digital or other tangible or intangible forms, stored in any media, including (i) books and records, whether accounting, legal or otherwise, ledgers, studies, reports, surveys, specifications, drawings, blueprints, diagrams, samples, flow charts, marketing plans, customer names and information, communications, correspondence, materials, product literature, files, documents, policies, procedures and manuals, research and analyses of any nature, including operational, technical or legal and (ii) financial and business information, including earnings reports and forecasts, macroeconomic reports and forecasts, all cost information, sales and pricing data, business plans, market evaluations, surveys and credit-related information.

“Information Statement” shall mean the Information Statement attached as an exhibit to the Form 10 to be sent to the Record Holders in connection with the Distribution, including any amendment or supplement thereto.

“Insurance Proceeds” shall mean those monies (i) received by an insured (or its successor-in-interest) from an insurance carrier or (ii) paid by an insurance carrier on behalf of an insured (or its successor-in-interest), in each case net of any applicable deductible or retention.

“Insured Claims” shall mean those Liabilities that, individually or in the aggregate, are covered within the terms and conditions of any of the Company Policies, whether or not subject to deductibles, co-insurance, uncollectability or retrospectively-rated premium adjustments, but only to the extent that such Liabilities are within applicable Company Policy limits, including aggregates.

“Intellectual Property” shall mean all worldwide intellectual property, proprietary and industrial property rights of any kind, including all (i) patents, patent applications, inventions and invention disclosures and utility models, (ii) Trademarks, (iii) copyrights and copyrightable subject matter, including software, code, algorithms, databases, compilations and documentation, (iv) technology, trade secrets, know-how, processes, formulae, models, methodologies, discoveries, ideas, concepts, techniques, designs, specifications, drawings, blueprints, diagrams, models and prototypes, (v) moral rights and rights of privacy and publicity, (vi) all registrations, applications, continuations, continuations-in-part, divisionals, reissues, re-examinations, substitutions, renewals, extensions and foreign counterparts thereof and (vii) all rights and remedies against infringement, misappropriation, or other violation of the foregoing prior to the Effective Time.

“Internal Control Audit and Management Assessments” shall have the meaning set out in Section 7.2(a).

“Internal Reorganization” shall mean the transactions described in Annex I.

“IP Matters Agreement” shall mean the Intellectual Property Matters Agreement by and between Delta and Ultra dated as of the date hereof.

“Law” shall mean any U.S. or non-U.S. federal, national, supranational, state, provincial, local or similar statute, law, ordinance, regulation, rule, code, income tax treaty, order, requirement or rule of law (including common law) or other binding directives of any Governmental Entity.

“Liabilities” shall mean any and all Indebtedness, liabilities, costs, expenses, interest and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured, reserved or unreserved, or determined or determinable, including those arising under any Law, claim, demand, Action, whether asserted or unasserted, or order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Entity and those arising under any Contract or any fines, damages or equitable relief which may be imposed and including all costs and expenses related thereto. Except as otherwise specifically set forth herein or in the Tax Matters Agreement, the rights and obligations of the Parties with respect to Taxes shall be governed by the Tax Matters Agreement and, therefore, the rights and obligations of the Parties relating to Taxes shall not be treated as Liabilities for purposes of this Agreement.

“Liable Party” shall have the meaning set out in Section 2.8(b).

“LIBOR” shall mean the rate (as shown on the Reuters Screen LIBOR 01 Page (or on any successor or substitute page or Reuters, or any successor or substitute for Reuters, providing rate quotations comparable to those currently provided on such page of Reuters) at approximately 11:00 a.m., London time, of the applicable day, for dollar deposits with a six month maturity.

“Lien” shall have the meaning set out in the Merger Agreement.

“Loss” shall mean any and all damages, losses, deficiencies, Liabilities, obligations, penalties, judgments, settlements, claims, payments, fines, administrative penalties, interest, costs and expenses (including the costs and expenses of any and all Actions and demands, assessments, judgments, settlements and compromises relating thereto and the reasonable costs and expenses of attorneys’, accountants’, consultants’ and other professionals’ fees and expenses incurred in the investigation or defense thereof or the enforcement of rights hereunder), excluding (A) special, consequential, reputational, indirect or punitive damages (other than special, consequential, indirect, reputational and/or punitive damages awarded by a court of competent jurisdiction in connection with a Third Party Claim (and in such a case, only to the extent awarded in such Third Party Claim)) and (B) Liabilities or requirements related to Taxes.

“Materials of Environmental Concern” shall mean: any gasoline or petroleum (including crude oil or any fraction thereof) products, polychlorinated biphenyls, urea-formaldehyde insulation, asbestos, pollutants, contaminants, molds, and radioactivity; any substance classified or regulated as hazardous or toxic (or words of similar meaning); and any other substances regulated pursuant to or that could give rise to liability under any applicable Environmental Law.

“Mediation Period” shall have the meaning set out in Section 8.2.

“Merger Agreement” shall have the meaning set out in the recitals.

“Non-US Agency Agreement” shall mean the Non-US Agency Agreement by and between Delta and Ultra dated as of the date hereof.

“NYSE” shall mean the New York Stock Exchange.

“NYSE Rules” shall mean the rules of the New York Stock Exchange.

“Other Party’s Auditors” shall have the meaning set out in Section 7.2(b).

“Party” shall have the meaning set out in Preamble.

“Permitted Lien” shall have the meaning set out in the Merger Agreement.

“Person” shall mean any natural person, firm, individual, corporation, business trust, joint venture, association, company, limited liability company, partnership or other organization or entity, whether incorporated or unincorporated, or any Governmental Entity.

“Policies” shall mean insurance policies and insurance contracts of any kind (other than life and employee benefits policies or contracts), including primary, excess and umbrella policies, commercial general liability policies, fiduciary liability, automobile, aviation, property, workers’ compensation and employee dishonesty insurance policies and surety bonds, together with the rights, benefits and privileges thereunder.

“Post Closing Delta Contracts” shall have the meaning set out in Section 2.11.

“Post Closing Delta Contracts Transfer Time” shall have the meaning set out in Section 2.11.

“Post Closing Ultra Contracts” shall have the meaning set out in Section 2.9.

“Post Closing Ultra Contracts Transfer Time” shall have the meaning set out in Section 2.9.

“Pre-Closing Ultra Allocated Corporate Expenses Target” shall have the meaning set forth in Section 2.2(f)(ii).

“Preferred Vendor Agreements” shall mean (1) the Master Preferred Vendor Agreement for Software Products and Services dated as of April 1, 2017 by and between EntIT Software LLC and Delta (formerly Everett SpinCo, Inc.) and (2) the Master Preferred Vendor Agreement for Enterprise Group Products and Services dated as of April 1, 2017 by and between Hewlett Packard Enterprise Company and Delta (formerly Everett SpinCo, Inc.).

“Privilege” shall have the meaning set out in Section 7.6(a).

“Privileged Information” shall have the meaning set out in Section 7.6(a).

“Real Estate Matters Agreement” shall mean the Real Estate Matters Agreement by and between Delta and Ultra dated as of the date hereof.

“Record Date” shall mean the date, as determined by the Board, that is the record date for determining the holders of Delta Common Stock entitled to receive Ultra Common Stock in the Distribution.

“Record Holders” shall mean holders of Delta Common Stock as of the close of business on the Record Date.

“Records” shall mean any Contracts, documents, books, records or files, whether in written, electronic, computerized, digital or other tangible or intangible forms or stored in any media.

“Rules” shall have the meaning set out in Section 8.3.

“Separation Expenses” shall mean all out-of-pocket fees and expenses incurred, or to be incurred and directly related to the Internal Reorganization, the Distribution and the other transactions contemplated hereby (including such other third party fees and expenses incurred on a non-recurring basis directly as a result thereof, and excluding the costs of salaries and benefits of employees or any pro rata portion of overhead or other costs of employing such employees which would have been incurred by such employees’ employer regardless of the employees’ service with respect to the foregoing), and excluding, for the avoidance of doubt, Transaction Expenses.

“Shared Contract” shall have the meaning set out in Section 2.3.

“Shared Field” shall mean licenses, services or sales, directly or indirectly, to any United States state, municipal or local Governmental Entity other than Existing Delta State and Local Contracts.

“Solvency Opinion” shall have the meaning set out in Section 4.4(k).

“Special Dividend” shall have the meaning set forth in the Merger Agreement.

“Subsidiary” shall mean with respect to any Person (i) a corporation, fifty percent (50%) or more of the voting or capital stock of which is, as of the time in question, directly or indirectly owned by such Person and (ii) any other Person in which such Person, directly or indirectly, owns fifty percent (50%) or more of the equity or economic interest thereof or has the power to elect or direct the election of fifty percent (50%) or more of the members of the governing body of such entity.

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

“Tax Contest” shall have the meaning of the definition of “Audit” as set forth in the Tax Matters Agreement.

“Tax Matters Agreement” shall mean the Tax Matters Agreement by and between Delta and Ultra dated as of [the date hereof].

“Tax Opinion” shall have the meaning set out in Section 4.4(e).

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

“Termination Date” shall have the meaning set forth in the Merger Agreement.

“Territory” shall mean the United States of America.

“Third Party Claim” shall have the meaning set out in Section 6.4(b).

“Third Party Proceeds” shall have the meaning set out in Section 6.7(a).

“Trademarks” shall mean trademarks, service marks, corporate names, trade names, domain names, logos, slogans, designs, social media identifiers, trade dress and other designations of source or origin, together with the goodwill symbolized by any of the foregoing.

“Transaction Expenses” shall have the meaning set forth in the Merger Agreement.

“Transfer” shall mean transfer, contribute, distribute, assign, and/or convey (and deliver, as applicable), or cause to be transferred, contributed, distributed, assigned, and/or conveyed (and delivered, as applicable).

“Transfer Instruments” shall mean, collectively, the various Contracts, resolutions and other documents heretofore entered into and to be entered into to effect the Transfer of Assets and the assumption of Liabilities in the manner contemplated by this Agreement, or otherwise relating to, arising out of or resulting from the transactions contemplated by this Agreement, in such form or forms as the applicable Parties thereto agree.

“Transition Services Agreement” shall mean the Transition Services Agreement by and between Delta and Ultra dated as of [the date hereof.]

“Transitional Parent Debt” shall mean the short-term credit facility provided by Delta with a principal balance of up to \$50,000,000 that Ultra may draw upon at or prior to the Effective Time that must be repaid in full within 10 Business Days after the Distribution Date.

“Ultra” shall have the meaning set out in Preamble.

“Ultra Assets” shall mean those Assets that are owned, leased or licensed, at or prior to the Effective Time, by Delta and/or any of its Subsidiaries, relating exclusively to, used exclusively in, or arising exclusively from, the Ultra Business, and shall include:

- (a) all Assets of the Entities set forth on Schedule 1.1(w)(I);
- (b) any and all Assets to the extent reflected on the Ultra Balance Sheet or the accounting records supporting such balance sheet and any Assets acquired by or for Ultra or any member of the Ultra Group subsequent to the date of the Ultra Balance Sheet which, had they been so acquired on or before such date and owned as of such date, would have been reflected on the Ultra Balance Sheet if prepared on a consistent basis, subject to any dispositions (other than to Delta or any Affiliate of Delta) of any of such Assets in the ordinary course of business subsequent to the date of the Ultra Balance Sheet;
- (c) the ownership interests in those Entities that are set forth on Schedule 1.1(w)(III) (such entities, the **“Ultra Entities”**);
- (d) all rights, title and interest in and to the Owned Real Properties as defined in the Real Estate Matters Agreement;

- (e) any and all other Assets that are expressly contemplated by this Agreement or any Ancillary Agreement as Assets which have been or are to be Transferred to Ultra or any other member of the Ultra Group;
- (f) all rights, title and interest in, and to and under the Leases as defined in the Real Estate Matters Agreement;
- (g) all fixtures, machinery, equipment, apparatuses, computer hardware and other electronic data processing and communications equipment, tools, instruments, furniture, office equipment, automobiles, trucks and other transportation equipment and other tangible personal property physically located at the Owned Real Properties (as defined in the Real Estate Matters Agreement) or physically located at the Leased Real Properties (as defined in the Real Estate Matters Agreement), except for the Delta Personal Equipment;
- (h) all personal computers, cellular phones, personal data devices, chairs and other office equipment used exclusively by a Ultra Group Employee (as defined in the Employee Matters Agreement) (the “**Ultra Personal Equipment**”);
- (i) all inventories, including products, goods, materials, parts, raw materials, work-in-process and supplies, relating primarily to, used primarily in, or arising primarily from, the Ultra Business;
- (j) all Ultra Contracts and any rights or claims arising thereunder;
- (k) all licenses, permits, approvals and authorizations issued by any Governmental Entity (including any pending applications therefor), relating exclusively to, used exclusively in or arising exclusively from, the Ultra Business;
- (l) all Information relating exclusively to, used exclusively in, or arising exclusively from, the Ultra Business (the “**Ultra Information**”); provided that regardless of whether Information is Ultra Information or Delta Information, if Ultra (or a Ultra Group Employee (as defined in the Employee Matters Agreement)) is in possession of such Information as of the Effective Time, Ultra shall retain such Information (subject to Section 7.3);
- (m) all deposits, prepaid expenses, letters of credit and performance and surety bonds relating primarily to, used primarily in, or arising primarily from, the Ultra Business;
- (n) subject to Section 9 (Insurance), any rights of any member of the Ultra Group under any Policies, including any rights thereunder arising after the Effective Time in respect of any Policies that are occurrence policies and all rights in the nature of insurance, indemnification or contribution; provided that ownership of the Company Policies shall remain with the Delta Group;
- (o) all rights, title and interest in, and to the Restricted IP as defined in the IP Matters Agreement; and
- (p) any claims, counterclaims, setoffs, rights of recoupment, equity rights or defenses, whether known or unknown, that Delta and/or any of its Subsidiaries may have with respect to any Ultra Assets and Ultra Liabilities.

Notwithstanding the foregoing, the Ultra Assets shall not include any Intellectual Property or other Assets that are expressly contemplated by any Ancillary Agreement (or the Schedules hereto or thereto) as Assets to be retained by or Transferred to any member of the Delta Group.

“**Ultra Balance Sheet**” shall mean the combined balance sheet of the Ultra Business attached as Section 4.5 to the Delta/Ultra Disclosure Schedule to the Merger Agreement.

“**Ultra Business**” shall mean the (i) business of providing IT, operations and maintenance, and mission support related products and services to (A) Federal Government Customers and (B) certain United States state and local government agencies pursuant to Existing Ultra State and Local Contracts, collectively constituting the United States Public Sector segment of Delta and its Subsidiaries (including the Ultra Group) prior to the Effective Time, and (ii) any and all businesses of the Ultra Group after the Effective Time (including any businesses acquired or established by or for Ultra or any of its Subsidiaries after the Effective Time).

“**Ultra Common Stock**” shall mean the common stock of Ultra, par value \$0.01 per share.

“**Ultra Contracts**” shall mean the following Contracts to which Delta or any of its Subsidiaries (including Ultra) (x) is a party as of the date hereof (or in the case of any Contract that has been fully performed, was a party prior to the date hereof), (y) becomes a party prior to the Effective Time or (z) becomes a party after the Effective Time in respect of quotations, proposals and bids that were pending as of the date thereof or by which it or any of its Subsidiaries or any of their respective Assets is bound as of the date hereof or becomes bound prior to the Effective Time:

- (a) any Contract entered into in the name of, or expressly on behalf of, Ultra or a member of the Ultra Operating Group;
- (b) any Contract that relates exclusively to the Ultra Business, including (A) any Contract that has been fully performed, (B) and Contract that is no longer executory or otherwise remains in effect although is no longer active and (C) any Contract providing for the acquisition or disposition of a Ultra Entity or Ultra Assets;
- (c) any (A) Contract with a Federal Government Customer entered into in connection with the Ultra Business or (B) Existing Ultra State and Local Contracts, in each case including those awarded after the Distribution Date and for which the Bid was pending as of the Distribution Date;
- (d) any Contract, Bid, or pipeline opportunity underlying the “Revenue Contract Waterfall” document attached hereto as Schedule [●] (together with such Contracts and Existing Ultra State and Local Contracts in (c) above, the “**Ultra Government Contracts**”);
- (e) any Contract or part thereof that is otherwise expressly contemplated pursuant to this Agreement or any of the Ancillary Agreements to be assigned to any member of the Ultra Group; and
- (f) any guarantee, indemnity, representation or warranty of or in favor of any member of the Ultra Group contained in a Contract that does not otherwise fall within clause (i) through (iv) of this paragraph (aa) and that is by its terms severable from such Contract without breach thereof.

“**Ultra Corporate Expenses**” shall have the meaning set forth in Section 2.2(f)(i).

“Ultra Entities” shall have the meaning set out in paragraph (c) of definition Ultra Assets.

“Ultra Existing Notes” shall have the meaning set forth in the Merger Agreement.

“Ultra Field” shall mean any licenses, services or sales (as applicable), directly or indirectly: (1) to Federal Government Customers and (2) under any Existing Ultra State and Local Contracts and any extensions, renewals or recompetes thereof, including any licenses, services or sales (as applicable) under the Ultra Government Contracts.

“Ultra FY 19 Corporate Expense Budget” shall have the meaning set forth in Section 2.2(f)(iii).

“Ultra Group” shall mean Ultra, the other Ultra Entities and each Entity that becomes a Subsidiary of Ultra after the Effective Time.

“Ultra Indemnitees” shall mean each member of the Ultra Group and each of their respective Affiliates from and after the Effective Time and each member of the Ultra Group’s and such respective Affiliates’ respective directors, officers, employees and agents and each of the heirs, executors, successors and assigns of any of the foregoing.

“Ultra Information” shall have the meaning set out in paragraph (l) of definition Ultra Assets.

“Ultra Liabilities” shall mean any and all Liabilities to the extent arising out of: (a) the operation or conduct of the Ultra Business, as conducted at any time prior to, at or after the Effective Time (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person’s authority) of the Ultra Group or that relates to the Ultra Business); (b) the operation or conduct of any business conducted by any member of the Ultra Group at any time after the Effective Time (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person’s authority) of the Ultra Group that relates to the Ultra Business); or (c) any Ultra Assets, whether arising prior to, at or after the Effective Time; and each of the following Liabilities (whether arising prior to, at or after the Effective Time):

- (a) any Liabilities reflected on the Ultra Balance Sheet or the accounting records supporting such balance sheet and any Liabilities incurred by or for Ultra or any member of the Ultra Group (other than Liabilities to Delta or any Affiliate of Delta other than ordinary course trade payables on arm’s-length terms) subsequent to the date of the Ultra Balance Sheet which, had they been so incurred on or before such date and owned as of such date, would have been reflected on the Ultra Balance Sheet if prepared on a consistent basis, subject to any dispositions of any of such Liabilities subsequent to the date of Ultra Balance Sheet;
- (b) the Ultra Existing Notes;
- (c) any capitalized lease obligations or operating lease obligations relating to the Ultra Business or Ultra Assets;
- (d) any Liabilities to the extent arising out of the Ultra Contracts;
- (e) any Liabilities (without limitation) to the extent arising out of Actions or disputes related to the Ultra Business, other than the Actions or disputes set forth on Schedule 1.1(ee)(IV)(I)(i) (which shall in no event be Ultra Liabilities) but including the Actions or disputes set forth on Schedule 1.1(ee)(iv)(II);

- (f) any Liabilities assumed or retained by the Ultra Group pursuant to this Agreement or the Ancillary Agreements;
- (g) any Liabilities to the extent arising out of any infringement by the Ultra Business of the Intellectual Property of any other Person or breach by the Ultra Business of any Contract relating to Intellectual Property;
- (h) all Liabilities to the extent arising out of any (A) violation prior to the Effective Time of any Environmental Laws by the Ultra Group, or the conduct of the Ultra Business, (B) use, treatment, or disposal prior to the Effective Time of Materials of Environmental Concern by or on behalf of the Ultra Group, or in the conduct of the Ultra Business or (C) presence of Materials of Environmental Concern at, or release of Materials of Environmental Concern from, any Ultra Assets;
- (i) for the avoidance of doubt, any Liabilities to the extent arising out of the operation or conduct of the Ultra Business by any Entity that is a Delta Entity under this Agreement but has conducted the Ultra Business at any time prior to the Effective Time
- (j) any Action arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in the Form 10 (including any amendments thereto), the Information Statement (including any amendments or supplements thereto), or arising out of or based upon any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading with respect to information or statements made or incorporated by reference in the Registration Statement to the extent such information or statements were provided by or on behalf of Vector, Kodiak or any Enumerated Stockholder for inclusion therein.

Notwithstanding the foregoing, the Ultra Liabilities shall not include any Liabilities that are (A) expressly contemplated by this Agreement or by any Ancillary Agreement (or the Schedules hereto or thereto) as Liabilities to be retained or assumed by any member of the Delta Group, including any Liabilities specified in the definition of Delta Liabilities, (B) expressly discharged pursuant to Section 6.1 of this Agreement or (C) Indebtedness (other than capital leases or under the Financing Agreements).

“Ultra Operating Group” means the United States Public Sector business unit of the Delta Group.

“Ultra Personal Equipment” shall have the meaning set out in paragraph (h) of definition Ultra Assets.

“Ultra Transaction Expenses” shall have the meaning set forth in the Merger Agreement.

“Vector Mergers” shall have the meaning set forth in the Recitals.

“Virginia Courts” shall have the meaning set out in Section 10.17.

1.2 References; Interpretation

References in this Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. Unless the context otherwise requires, the words “include”, “includes” and “including” when used in this Agreement shall be deemed to be followed by the phrase “without limitation”. Unless the context otherwise requires, references in this Agreement to Sections, Exhibits and Schedules shall be deemed references to Sections of, and Exhibits and Schedules to, this Agreement. Unless the context otherwise requires, the words “hereof”, “hereby” and “herein” and words of similar meaning when used in this Agreement refer to this Agreement in its entirety and not to any particular Section or provision of this Agreement. The words “written request” when used in this Agreement shall include email. For the avoidance of doubt, a controlled Affiliate of a Party shall mean a Person controlled, directly or indirectly, by such Party but shall not include any other Person that controls or is under common control with such Party. In the event of any inconsistency or conflict which may arise in the application or interpretation of any of the definitions set forth in Section 1.1, for the purpose of determining what is and is not included in such definitions, any item explicitly included on a Schedule referred to in any such definition shall take priority over any provision of the text thereof.

2. THE SEPARATION

2.1 General

Subject to the terms and conditions of this Agreement, the Parties shall use, and shall cause their respective Affiliates to use, their respective reasonable best efforts to consummate the transactions contemplated hereby, including the Internal Reorganization.

2.2 Restructuring; Transfer of Assets; Assumption of Liabilities

- (a) Internal Reorganization. Prior to the Effective Time, the Internal Reorganization shall be completed.
- (b) Transfer of Assets and Assumption of Liabilities. Pursuant to the Transfer Instruments (except as otherwise specifically set forth in any Ancillary Agreement), Delta shall, or shall cause the applicable members of the Delta Group to, Transfer to the applicable members of the Ultra Group all of their right, title and interest in and to the Ultra Assets, and Ultra shall, or shall cause the applicable members of the Ultra Group to, assume all the Ultra Liabilities prior to the Effective Time. For the avoidance of doubt, Ultra and the Ultra Group shall not assume, and following the Effective Time Delta and the Delta Group shall be solely responsible for and shall retain, any Delta Liabilities.
- (c) Transfers and Assumptions Occurring After the Effective Time. Notwithstanding anything herein to the contrary, the Parties acknowledge that certain Transfers of Assets or assumption of Liabilities (as may be provided herein or under the Ancillary Agreements) shall occur after the Effective Time.
- (d) Consents. The Parties shall use their commercially reasonable efforts to obtain from any Governmental Entity or other third party any Governmental Approvals or Consents required to Transfer any of the Ultra Assets as contemplated by this Agreement or any Ancillary Agreement, including, subject to the other provisions of this Agreement, executing substitute guarantees, furnishing letters of credit, instituting escrow arrangements, posting surety or performance bonds or making other arrangements as the counterparty may reasonably request in connection with obtaining a Consent or Government Approval.

- (e) Costs and Expenses. Notwithstanding anything to the contrary contain herein or in any of the Ancillary Agreements, any and all Separation Expenses, regardless of whether such Separation Expenses were incurred prior to, at or following the Effective Time, shall be paid by or on behalf of Delta or, if and to the extent an Ultra Entity has paid any amounts in respect of any Separation Expenses, Delta shall reimburse such Ultra Entity for such Separation Expenses.
- (f) Allocated Costs.
- (i) Delta shall prepare and send Ultra a breakdown of the expense categories included within the Corporate Dedicated and Corporate Shared and Allocated Expenses allocated to Ultra during the most recent three-month period for which financial information is reasonably available preceding the Distribution Date, which information shall be prepared using allocation practices and methodologies consistent with Delta's historical past practices and methodologies for such cost apportionment, together with a calculation of the annualized cost, based upon such three-month period, of Corporate Dedicated and Corporate Shared/Allocated expenses included in Ultra's income statement ("**Ultra Corporate Expenses**")
 - (ii) If the annualized Ultra Corporate Expenses determined in accordance with paragraph 1 above ("**Annualized Ultra Corporate Expenses**") exceed \$116,000,000 ("**Pre-Closing Ultra Allocated Corporate Expenses Target**"), then Delta shall pay Ultra within 120 days after the Distribution Date an amount not to exceed \$25,000,000 consisting of (a) the excess of such Annualized Ultra Corporate Expense over the Pre-Closing Ultra Allocated Corporate Expenses Target and (b) Ultra's reasonable expenses (including reasonable projected severance and other restructuring costs) in connection with reducing Annualized Corporate Expenses to the Pre-Closing Ultra Allocated Corporate Expenses Target.
 - (iii) Prior to the Distribution Date, Delta shall work with Ultra management to prepare in good faith a budget ("**Ultra FY 19 Corporate Expense Budget**") using budgeting methodologies and practices consistent with Delta's existing management budgeting methodologies and practices and based upon known and expected annual standalone costs of the combined Ultra, Vector, and Kodiak as a publicly traded company during the twelve months following the Distribution covering the categories of activities included within Corporate Expenses. The Ultra FY 19 Corporate Expenses Budget shall reflect the expected combined Corporate Expenses of the merged Ultra, Vector and Kodiak as a publicly traded company, and be consistent with budgets disclosed to credit agencies, lenders, and the Ultra Board of Directors.
 - (iv) If Ultra's Pro Rata Share of the Ultra FY 19 Corporate Expense Budget exceeds \$116,000,000, then Delta shall pay Ultra within 120 days after the Distribution Date, an amount not to exceed \$25,000,000, consisting of the excess of Ultra's apportioned amount of the Ultra FY 19 Corporate Expense Budget over the \$116,000,000. Pro Rata Share means a fraction the numerator of which is Ultra's revenues during the immediately preceding four fiscal quarters and the denominator of which is the sum of Ultra's revenues, Vector's revenues and Kodiak's revenues in each case during the four quarter period.
 - (v) For avoidance of doubt, in no event shall the sum of all amounts, if any, paid pursuant to paragraph (ii) and paragraph (iv) exceed \$25,000,000.

- (g) Capitalized Lease Obligations. If the aggregate outstanding balance of capitalized lease obligations determined in accordance with Delta's accounting practices, policies and methodologies applied on a consistent basis in accordance with GAAP (without giving effect to any changes in GAAP after the date of the Merger Agreement) that are Ultra Liabilities as of the Distribution Date, other than capitalized lease obligations in respect of new Contracts (which, for the avoidance of doubt, shall not arise in connection with any existing Contracts, addenda, task orders, or any extensions, amendments, renewals or recompetes thereof) awarded after the date of the Merger Agreement ("**Distribution Date Capital Leases**"), exceeds \$300,000,000 and Delta within 180 days after the Distribution shall have failed to take steps necessary to reduce the aggregate outstanding balance of Distribution Date Capital Leases below \$300,000,000, then Delta shall pay Ultra an amount equal to the excess of the aggregate outstanding balance of Distribution Date Capital Leases over \$300,000,000.
- (h) No Transfers in Violation of Law or Breach of Contract. Notwithstanding anything herein to the contrary, no Contract or other Asset shall be transferred if it would violate applicable Law or, in the case of any Contract, the rights of any third party to such Contract or the terms of such Contract.

2.3 Treatment of Shared Contracts

Without limiting the generality of the obligations set forth in Section 2.2:

- (a) Unless the Parties otherwise agree or the benefits of any Contract described in this Section are expressly conveyed to the applicable Party pursuant to an Ancillary Agreement, any Contract (other than a Customer Contract) that is (1) a Delta Asset but inures in part to the benefit or burden of any member of the Ultra Group, or (2) a Ultra Asset but inures in part to the benefit or burden of any member of the Delta Group (each, a "**Shared Contract**"), shall be assigned in part to the applicable member(s) of the applicable Group, if so assignable, or appropriately amended prior to, on or after the Effective Time, so that each member of the Ultra Group or the Delta Group, as the case may be, shall be entitled to the rights and benefits, and shall assume the related portion of any Liabilities, inuring to the Ultra Business or the Delta Business, respectively; provided, however, that (x) in no event shall any member of any Group be required to assign (or amend) any Shared Contract in its entirety or to assign a portion of any Shared Contract which is not assignable (or cannot be amended) by its terms (including any terms imposing consents or conditions on an assignment where such consents or conditions have not been obtained or fulfilled) and (y) if any Shared Contract cannot be so partially assigned by its terms or otherwise, cannot be amended or has not for any other reason been assigned or amended, or if such assignment or amendment would impair the benefit the parties thereto derive from such Shared Contract, (A) at the reasonable request of the Party (or the member of such Party's Group) to which the benefit of such Shared Contract inures in part, the Party for which such Shared Contract is, as applicable, a Delta Asset or Ultra Asset shall, and shall cause each of its respective Subsidiaries to, for a period ending on the earlier of twelve (12) months after the Distribution Date and the end of the term of such Shared Contract (without any extensions or renewals), take such other reasonable and permissible actions to cause such member of the Ultra Group or the Delta Group, as the case may be, to receive the benefit of that portion of each Shared Contract that relates to the Ultra Business or the Delta Business, as the case may be (in each case, to the extent so related) as if such Shared Contract had been assigned

to (or amended to allow) a member of the applicable Group pursuant to this Section 2.3 and to bear the burden of the corresponding Liabilities (including any Liabilities that may arise by reason of such arrangement) as if such Liabilities had been assumed by a member of the applicable Group pursuant to this Section 2.3 and (B) the Party to which the benefit of such Shared Contract inures in part shall use commercially reasonable efforts to enter into a separate contract pursuant to which it procures such rights and obligations as are necessary such that it no longer needs to avail itself of the arrangements provided pursuant to this Section 2.3(a); provided that, other than in the event of willful breach or misconduct, knowing violation of Law, fraud, willful misrepresentation, or gross negligence of the Party for which such Shared Contract is, as applicable, a Delta Asset or Ultra Asset, such Party, and such Party's applicable Subsidiaries shall not be liable for any actions or omissions taken in accordance with clause (y) of this Section 2.3(a).

- (b) Each of Delta and Ultra shall, and shall cause the members of its Group to, (i) treat for all Income Tax purposes the portion of each Shared Contract inuring to the Delta Business or Ultra Business, as the case may be, as Assets owned by, and/or Liabilities of, as applicable, such Party as of the Effective Time and (ii) neither report nor take any Income Tax position (on a Tax Return or otherwise) inconsistent with such treatment (unless required by a change in applicable Tax Law or good faith resolution of a Tax Contest relating to Income Taxes).
- (c) For avoidance of doubt:
 - (i) the Preferred Vendor Agreements shall be deemed Shared Contracts, and allocation of minimum purchase obligations between Delta and Ultra shall be governed by Section 7.2 of each Preferred Vendor Agreement; and
 - (ii) to the extent that either Ultra or Delta reasonably determines that an extension of the term of any Services (as that term is defined in the HPE Transition Services Agreement) provided to the Ultra Business under the HPE Transition Services Agreement is appropriate or necessary, the HPE Transition Services Agreement shall be deemed a Shared Contract, and Ultra shall be entitled to the rights and benefits, and shall assume the related portion of any Liabilities, inuring to the Ultra Business under the HPE Transition Services Agreement in accordance with Section 2.3(a).

2.4 Intercompany Accounts; Cash Management

- (a) Except for the Transitional Parent Debt and as otherwise set forth in Section 6.1(b), all (i) intercompany receivables, payables and loans (other than receivables, payables and loans otherwise specifically provided for under this Agreement, under any Ancillary Agreement, and other than payables created or required hereby or by any Ancillary Agreement), if any, and (ii) intercompany balances, including in respect of any cash balances, any cash balances representing deposited checks or drafts or any cash held in any centralized cash management system between any member of the Delta Group, on the one hand, and any member of the Ultra Group, on the other hand, which exist and are reflected in the accounting records of the relevant Parties immediately prior to the Effective Time, shall be settled in good faith within [30] days following the Effective Time, provided that any such intercompany balances that represent ordinary course trade payables on arm's-length terms shall be converted into an ordinary trade payable (which shall survive the Effective Time, notwithstanding anything herein (including Section 6.1) to the contrary) as of the Effective Time. Each of the Parties shall, and shall cause their respective Subsidiaries to, take all actions and do all things reasonably necessary on its part, or such Subsidiaries' part, under applicable Law or contractual obligations to consummate and make effective the transactions contemplated by such agreement or agreements in respect of such settlements or capitalizations.

- (b) As between the Parties (and the members of their respective Group) all payments and reimbursements received after the Effective Time by one Party (or member of its Group) to the extent allocated to the other Party (or any member of its Group) pursuant hereto, shall be held by such Party in trust for the use and benefit of the Party entitled thereto (at the expense of the Party entitled thereto) and, promptly upon receipt by such Party of any such payment or reimbursement, such Party shall pay or shall cause the applicable member of its Group to pay over to the Party entitled thereto the amount of such payment or reimbursement without right of set-off.

2.5 Transfers Not Effected at or Prior to the Effective Time; Transfers Deemed Effective as of the Effective Time

- (a) To the extent that any Transfers contemplated by this Section 2 shall not have been consummated at or prior to the Effective Time, the Parties shall use commercially reasonable efforts to effect such Transfers as promptly following the Effective Time as shall be practicable. Nothing herein shall be deemed to require the Transfer of any Assets or the Assumption of any Liabilities which by their terms or operation of Law cannot be Transferred; provided, however, that the Parties and their respective Subsidiaries shall cooperate and use commercially reasonable efforts to seek to obtain, in accordance with applicable Law, any necessary Consents or Governmental Approvals for the Transfer of all Assets and Assumption of all Liabilities to the fullest extent permitted by applicable Law contemplated to be Transferred and assumed pursuant to this Section 2. In the event that any such Transfer of Assets or Assumption of Liabilities has not been consummated, from and after the Effective Time (i) the Party retaining such Asset shall thereafter hold such Asset in trust for the use and benefit of the Party entitled thereto (at the expense of the Party entitled thereto) and (ii) the Party intended to assume such Liability shall, or shall cause the applicable member of its Group to, pay or reimburse the Party retaining such Liability for all amounts paid or incurred in connection with the retention of such Liability. In addition, the Party retaining such Asset or Liability shall, insofar as reasonably possible and to the extent permitted by applicable Law, treat such Asset or Liability in the ordinary course of business in accordance with past practice and take such other actions as may be reasonably requested by the Party to which such Asset is to be Transferred or by the Party Assuming such Liability in order to place such Party, including but not limited to entering subcontracts for the performance of Contracts that have not transferred, insofar as reasonably possible, in the same position as if such Asset or Liability had been Transferred or assumed as contemplated hereby and so that all the benefits and burdens relating to such Asset or Liability, including possession, use, risk of loss, potential for gain, and dominion, control and command over such Asset or Liability, are to inure from and after the Effective Time to the member or members of the Delta Group or the Ultra Group entitled to the receipt of such Asset or required to assume such Liability. In furtherance of the foregoing, the Parties agree that, as of the Effective Time, subject to Section 2.2 (g), each Party shall be deemed to have acquired complete and sole beneficial ownership over all of the Assets, together with all rights, powers and privileges incident thereto, and shall be deemed to have assumed in accordance with the terms of this Agreement all of the Liabilities, and all duties, obligations and responsibilities incident thereto, which such Party is entitled to acquire or required to assume pursuant to the terms of this Agreement.

- (b) If and when the Consents, Governmental Approvals and/or conditions, the absence or non-satisfaction of which caused the deferral of Transfer of any Asset or deferral of the Assumption of any Liability, are obtained or satisfied, the Transfer, assignment, Assumption or novation of the applicable Asset or Liability shall be effected in accordance with and subject to the terms of this Agreement and/or the applicable Ancillary Agreement, and shall, to the extent possible without the imposition of any undue cost on any Party, be deemed to be effective as of the Effective Time.
- (c) Following the second anniversary of the Distribution Date, the Party retaining any Asset or Liability due to the deferral of the Transfer of such Asset or the deferral of the Assumption of such Liability shall not be obligated, in connection with the foregoing, to expend any money unless the necessary funds are advanced, assumed, or agreed in advance to be reimbursed by the Party entitled to such Asset or the Person intended to be subject to such Liability, other than reasonable attorneys' fees and recording or similar or other incidental fees, all of which shall be promptly reimbursed by the Party entitled to such Asset or the Person intended to be subject to such Liability.
- (d) After the Effective Time, each Party (or any member of its Group) may receive mail, packages and other communications properly belonging to another Party (or any member of its Group). Accordingly, at all times after the Effective Time, each Party is hereby authorized to receive and open all mail, packages and other communications received by such Party that belongs to such other Party, and to the extent that they do not relate to the business of the receiving Party, the receiving Party shall promptly deliver such mail, packages or other communications (or, in case the same also relates to the business of the receiving Party or another Party, copies thereof) to such other Party as provided for in Section 10.6. The provisions of this Section 2.5(d) are not intended to, and shall not, be deemed to constitute an authorization by any Party to permit the other to accept service of process on its behalf and no Party is or shall be deemed to be the agent of any other Party for service of process purposes.
- (e) With respect to any Assets that have not been Transferred or Liabilities that have not been assumed at or prior to the Effective Time, each of Delta and Ultra shall, and shall cause the members of its respective Group to, (i) treat for all Income Tax purposes (A) the deferred Assets as assets having been Transferred to and owned by the Party entitled to such Assets at the Effective Time and (B) the deferred Liabilities as liabilities having been assumed and owned by the Person intended to be subject to such Liabilities at the Effective Time and (ii) neither report nor take any Income Tax position (on a Tax Return or otherwise) inconsistent with such treatment (unless required by a change in applicable Tax Law or good faith resolution of a Tax Contest relating to Income Taxes).

2.6 Transfer Instruments

In connection with, and in furtherance of, the Transfers of Assets and the Assumptions of Liabilities contemplated by this Agreement, the Parties shall execute or cause to be executed, on or after the date hereof by the appropriate entities to the extent not executed prior to the date hereof, any Transfer Instruments necessary to evidence the valid Transfer to the applicable Party or member of such Party's Group of all right, title and interest in and to its Assets and the valid and effective Assumption by the applicable Party of its assumed Liabilities for Transfers and Assumptions to be effected pursuant to New York Law or the Laws of one of the other states of the United States or the United States or, if not appropriate for a given Transfer or Assumption, and for Transfers or Assumptions to be effected pursuant to non-U.S. Laws, in such form as the Parties shall reasonably agree, including the Transfer of

real property by mutually acceptable conveyance deeds as may be appropriate and in form and substance as may be required by the jurisdiction in which the real property is located. The Transfer of capital stock shall be effected by means of executed stock powers and notation on the stock record books of the corporation or other legal entities involved, or by such other means as may be required in any non-U.S. jurisdiction to Transfer title to stock and, only to the extent required by applicable Law, by notation on public registries.

2.7 Further Assurances; Ancillary Agreements

- (a) In addition to and without limiting the actions specifically provided for elsewhere in this Agreement, each of the Parties shall cooperate with each other and use (and shall cause its respective Subsidiaries and Affiliates to use) commercially reasonable efforts prior to, at and after the Effective Time, to take, or to cause to be taken, all actions, and to do, or to cause to be done, all things reasonably necessary on its part under applicable Law or contractual obligations to cause the conditions set forth in Section 4.4 (other than Sections 4.4(a) and 4.4(i)) to be satisfied and to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements.
- (b) Without limiting the foregoing, at and after the Effective Time, each Party shall cooperate with the other Party, and without any further consideration, at the cost and expense of the Party on whose behalf the request is made for the twelve (12)-month period following the Distribution Date and thereafter at the cost and expense of the requesting Party, from and after the Effective Time, to execute and deliver, or use commercially reasonable efforts to cause to be executed and delivered, all instruments, including instruments of Transfer or title, and to make all filings with, and to obtain all Consents and/or Governmental Approvals, any permit, license, Contract, indenture or other instrument (including any Consents or Governmental Approvals), and to take all such other actions as such Party may reasonably be requested to take by any other Party from time to time, consistent with the terms of this Agreement and the Ancillary Agreements, including without limitation executing substitute guarantees, furnishing letters of credit, instituting escrow arrangements, posting surety or performance bonds or making other arrangements as the counterparty may reasonably request in connection with obtaining a Consent or Government Approval, in order to effectuate the provisions and purposes of this Agreement and the Ancillary Agreements and the Transfers of the applicable Assets and the assignment and Assumption of the applicable Liabilities and the other transactions contemplated hereby and thereby.
- (c) Without limiting the foregoing, in the event that any Party (or member of such Party's Group) is delivered or receives any Assets to be transferred to the other Party pursuant to this Agreement or the Ancillary Agreements, such Party agrees to promptly return or cause the return of such Assets to the other Party (or member of such other Party's Group as designated by such other Party) at such other Party's expense.
- (d) At or prior to the Effective Time, each of Delta and Ultra shall enter into, and/or (where applicable) shall cause a member or members of their respective Group to enter into, the Ancillary Agreements and any other Contracts in respect of the Distribution reasonably necessary or appropriate in connection with the transactions contemplated hereby and thereby.

2.8 Transfer of Ultra Customer Contracts

- (a) To the extent not obtained prior to the Effective Time, following the Effective Time, Delta and Ultra shall use commercially reasonable efforts to obtain, or to cause to be obtained, any Governmental Approval or other Consent required to novate, transfer or assign to the fullest extent permitted by applicable Law all rights and obligations under each customer Contract that is a Ultra Contract but under which a member of the Delta Group remains liable and obligated to perform pending such novation, transfer or assignment.
- (b) Until such time as (i) such novation, transfer, change of name or assignment occurs (including the receipt of any required Governmental Approval or Consent) or (ii) Ultra is authorized to perform as an agent or subcontractor of Delta Group, whichever shall first occur, such member of the Delta Group shall continue to be bound by such Contract and shall take all reasonable measures necessary to pay, perform and discharge fully all the obligations or other Liabilities under such Contract, including without limitation [maintaining any security clearances required to be maintained pursuant to such Contract] and unless not permitted by Law and the terms of such Contract to perform any such Contract as an agent or subcontractor, Ultra shall, or shall cause a member of its Group to, as an agent or subcontractor for such member of the Delta Group, pay, perform and discharge fully all the obligations or other Liabilities of such member of the Delta Group under such Contract from and after the Effective Time.
- (c) Upon the commencement of performance of a Ultra Contract by Ultra (or another member of the Ultra Group), as agent or subcontractor of such member of the Delta Group, Ultra shall, to the extent reasonably necessary or advisable to pay, perform and discharge fully any Liabilities, or retain the benefits (including pursuant to Section 2.6) associated with such Contract or license, have the right to:
 - (i) prepare, execute and submit invoices under such Contract in the name of the applicable member of the Delta Group;
 - (ii) send correspondence and otherwise communicate with the customer relating to matters under such Contract or license in the name of the applicable member of the Delta Group;
 - (iii) file Actions in the name of the applicable member of the Delta Group in connection with such Contract; and
 - (iv) otherwise exercise all rights in respect of such Contract in the name of the applicable member of the Delta Group.
- (d) Upon (i) the novation, transfer, change of name or assignment of a Ultra Contract (including the receipt of any required Governmental Approval or Consent) or (ii) the commencement of Ultra's performance of such a Contract as an agent or subcontractor of Delta Group, whichever shall first occur, except with respect to matters that are the subject of Section 2.11, Ultra shall indemnify Delta and each member of the Delta Group and hold each of them harmless against any Liabilities (other than Delta Liabilities) arising in connection with any such Contract.

- (e) Pursuant to Section 2.4, Delta shall use commercially reasonable efforts to promptly pay and remit or cause to be promptly paid or remitted, to Ultra, all cash and other consideration received by it or any member of its Group in respect of such performance by Ultra (or another member of the Ultra Group).
- (f) If and when the Governmental Approval or Consent for the novation, transfer or assignment of such Contract is obtained, Delta (or the applicable member of the Delta Group) shall promptly Transfer or cause the Transfer of all rights, obligations and other Liabilities thereunder to Ultra or to another member of its Group without payment of any further consideration and Ultra, or another member of its Group, without the payment of any further consideration, shall assume such rights and Liabilities to the fullest extent permitted by applicable Law. Delta (or the applicable member of the Delta Group) shall provide reasonable cooperation to Ultra (or the applicable member of the Ultra Group) as reasonably requested and necessary to facilitate the performance by Ultra (or the applicable member of the Ultra Group) of any Contract performed or transferred under this Section 2.8, including without limitation transferring any data rights to which the customer is entitled under such Contracts.

2.9 Post-Closing Ultra Contracts

For up to twelve (12) months following the Effective Time, in connection with Contracts that would otherwise be entered into by Ultra following the Effective Time that (a) are the continuation, extension, renewal, option exercise, follow-on, or work related to Ultra Contracts pending novation, transfer or assignment pursuant to Section 2.8 or (b) result from quotations, proposals or bids (“**Bids**”) for new opportunities, in each case to the extent relating to the Ultra Business, including such Contracts that are subject to security-related accreditation or facility security clearance requirements to be eligible to bid or perform such Contracts (such Contracts set forth in clauses (a) and (b), collectively, the “**Post Closing Ultra Contracts**”), Ultra may request that Delta or the applicable member of the Delta Group be, or continue to be, the contracting party for such Bids and Contracts until such time when, after Ultra shall have obtained the necessary novations, accreditations, clearances or assignments to enter into such Contracts and submit such Bids, such Bids and Contracts shall have been Transferred to Ultra (such time, the “**Post Closing Ultra Contracts Transfer Time**”). In furtherance of the foregoing, Ultra and Delta shall use commercially reasonable efforts to, as promptly as practicable, (i) obtain such necessary clearances, (ii) effect the Transfer of any such Post Closing Contracts, including any Assets and Liabilities thereunder, to Ultra and (iii) procure the release of Delta from any obligations or Liabilities thereunder to the fullest extent permitted by applicable Law.

2.10 Transfer of Delta Customer Contracts

- (a) To the extent not obtained prior to the Effective Time, following the Effective Time, Delta and Ultra shall use commercially reasonable efforts to obtain, or to cause to be obtained, any Governmental Approval or other Consent required to novate, transfer or assign to the fullest extent permitted by applicable Law all rights and obligations under each Customer Contract that is a Delta Contract but under which a member of the Ultra Group remains liable and obligated to perform pending such novation, transfer or assignment.
- (b) Until such time as (i) such novation, transfer, change of name or assignment occurs (including the receipt of any required Governmental Approval or Consent) or (ii) Delta is authorized to perform as an agent or subcontractor of Ultra Group, whichever shall first occur, such member of the Ultra Group shall continue to be bound by such Contract and shall take all reasonable measures necessary to pay, perform and discharge fully all the obligations or other Liabilities

under such Contract, including without limitation maintaining any security clearances required to be maintained pursuant to such Contract and unless not permitted by Law and the terms of such Contract to perform any such Contract as an agent or subcontractor, Delta shall, or shall cause a member of its Group to, as an agent or subcontractor for such member of the Ultra Group, pay, perform and discharge fully all the obligations or other Liabilities of such member of the Ultra Group under such Contract from and after the Effective Time.

- (c) Upon the commencement of performance of a Delta Contract by Delta (or another member of the Delta Group), as agent or subcontractor of such member of the Ultra Group, Delta shall, to the extent reasonably necessary or advisable to pay, perform and discharge fully any Liabilities, or retain the benefits (including pursuant to Section 2.6) associated with such Contract or license, have the right to:
 - (i) prepare, execute and submit invoices under such Contract in the name of the applicable member of the Ultra Group;
 - (ii) send correspondence and otherwise communicate with the customer relating to matters under such Contract or license in the name of the applicable member of the Ultra Group;
 - (iii) file Actions in the name of the applicable member of the Ultra Group in connection with such Contract; and
 - (iv) otherwise exercise all rights in respect of such Contract in the name of the applicable member of the Ultra Group.
- (d) Upon (i) the novation, transfer, change of name or assignment of a Delta Contract (including the receipt of any required Governmental Approval or Consent) or (ii) the commencement of Delta's performance of such a Contract as an agent or subcontractor of Ultra Group, whichever shall first occur, except with respect to matters that are the subject of Section 2.11, Delta shall indemnify Ultra and each member of the Ultra Group and hold each of them harmless against any Liabilities (other than Ultra Liabilities) arising in connection with any such Contract.
- (e) Pursuant to Section 2.4, Ultra shall use commercially reasonable efforts to promptly pay and remit or cause to be promptly paid or remitted, to Delta, all cash and other consideration received by it or any member of its Group in respect of such performance by Delta (or another member of the Delta Group).
- (f) If and when the Governmental Approval or Consent for the novation, transfer or assignment of such Contract is obtained, Ultra (or the applicable member of the Ultra Group) shall promptly Transfer or cause the Transfer of all rights, obligations and other Liabilities thereunder to Delta or to another member of its Group without payment of any further consideration and Delta, or another member of its Group, without the payment of any further consideration, shall assume such rights and Liabilities to the fullest extent permitted by applicable Law. Ultra (or the applicable member of the Ultra Group) shall provide reasonable cooperation to Delta (or the applicable member of the Delta Group) as reasonably requested and necessary to facilitate the performance by Delta (or the applicable member of the Delta Group) of any Contract performed or transferred under this Section 2.8, including without limitation transferring any data rights to which the customer is entitled under such Contracts.

2.11 Post-Closing Delta Contracts

For up to twelve (12) months following the Effective Time, in connection with Contracts that would otherwise be entered into by Delta following the Effective Time that (a) are the continuation, extension, renewal, option exercise, follow-on, or work related to Delta Contracts pending novation, transfer or assignment pursuant to Section 2.10 or (b) result from Bids for new opportunities, in each case to the extent relating to the Delta Business, including such Contracts that are subject to security-related accreditation or facility security clearance requirements to be eligible to bid or perform such Contracts (such Contracts set forth in clauses (a) and (b), collectively, the “**Post Closing Delta Contracts**”), Delta may request that Ultra or the applicable member of the Ultra Group be, or continue to be, the contracting party for such Bids and Contracts until such time when, after Delta shall have obtained the necessary novations, accreditations, clearances or assignments to enter into such Contracts and submit such Bids, such Bids and Contracts shall have been Transferred to Delta (such time, the “**Post Closing Delta Contracts Transfer Time**”). In furtherance of the foregoing, Ultra and Delta shall use commercially reasonable efforts to, as promptly as practicable, (i) obtain such necessary clearances, (ii) effect the Transfer of any such Post Closing Contracts, including any Assets and Liabilities thereunder, to Delta and (iii) procure the release of Ultra from any obligations or Liabilities thereunder to the fullest extent permitted by applicable Law.

2.12 DCAA/DCMA

- (a) Delta and Ultra shall each use commercially reasonable efforts at their own cost and expense to assist the other Party with its effort to reach a timely and reasonable settlement of any of its open fiscal years through the Distribution Date (the “**Open Years**”) with the Defense Contract Audit Agency, Defense Contract Management Agency, other Governmental Entities that may be conducting an audit or other authorized representatives of any such Governmental Entity (each, a “**Audit Agency**”). In connection with the resolution of any Open Years, each Party shall make available to the other Party all personnel and pertinent Information in such Party’s possession or under such Party’s control relating thereto as are reasonably required by the other Party.
- (b) Each Party shall keep the other Party reasonably informed of any Open Year matter that could directly impact the other Party. If either Party becomes aware of a material development that could directly impact the other Party, such Party shall, as soon as reasonably practicable thereafter, inform the other Party of the status of and developments relating to such matter
- (c) Upon resolution of any Open Years, each Party shall have responsibility for the costs of any resulting credit or payment due under its Open Years.
- (d) If, after the Effective Date, an Audit Agency, including an agency Inspector General, initiates an audit of an Ultra Contract or a Delta Contract previously held by an Ultra Entity and the issue of the audit relates to work performed by the other Party prior to the Effective Date, the parties agree to cooperate, to the extent required, in responding to such audit, including using reasonable commercial efforts to make documents and employees available for preparation of the audit response. Each Party shall bear its own internal costs and expenses in connection with preparation of the audit response.

2.13 Guarantees; Letters of Credit

- (a) Except as otherwise specified in any Ancillary Agreement, at or prior to the Effective Time or as soon as practicable thereafter, each Party shall (with the reasonable cooperation of the applicable member of the other Party's Group) use commercially reasonable efforts to have the applicable members of the other Party's Group removed as guarantor or obligor for any Delta or Ultra Liability (as applicable), including in respect of those guarantees and letters of credit set forth on Schedule 2.11(a), to the extent that they relate to Delta Liabilities or Ultra Liabilities (as applicable).
- (b) At or prior to the Effective Time, to the extent required to obtain a release from a guaranty (a "**Guaranty Release**") of any member of the other Party's Group, each Party shall, as applicable, execute substitute guarantees, furnish letters of credit, institute escrow arrangements, post surety or performance bonds or make other arrangements as the counterparty may reasonably request in connection with obtaining a Guaranty Release.
- (c) If either Party is unable to obtain, or to cause to be obtained, any such required removal as set forth in clauses (a) and (b) of this Section 2.13, (i) such Party shall indemnify and hold harmless the member of the other Party's Group that is guarantor or obligor thereunder for any Loss arising from or relating thereto (in accordance with the provisions of Section 6) and shall or shall cause another member of the its Group, as agent or subcontractor for such guarantor or obligor, to pay, perform and discharge fully all the obligations or other Liabilities of such member of the other Party's Group; and (ii) such Party agrees not to renew or extend the term of, increase its obligations under, or Transfer to a third party, any loan, guarantee, lease, contract or other obligation for which any member of the other Party's Group is or may be liable without the prior written consent of the other Party or such member of the other Party's Group, unless all obligations of such member of the other Party's Group with respect thereto are thereupon terminated by documentation reasonably satisfactory in form and substance to the other Party or such member of the other Party's Group; provided, however, with respect to any Ultra Lease, in the event a Guaranty Release is not obtained and Ultra wishes to extend the term of such guaranteed lease, then Ultra shall have the option of extending the term if it provides such security to Delta as is reasonably satisfactory to the member of the Delta Group that is guarantor under such guaranteed lease.

2.14 Disclaimer of Representations and Warranties

EACH OF DELTA (ON BEHALF OF ITSELF AND EACH MEMBER OF THE DELTA GROUP) AND Ultra (ON BEHALF OF ITSELF AND EACH MEMBER OF THE Ultra GROUP) UNDERSTANDS AND AGREES THAT, EXCEPT AS EXPRESSLY SET FORTH HEREIN, IN ANY ANCILLARY AGREEMENT, NO PARTY TO THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR ANY OTHER AGREEMENT OR DOCUMENT CONTEMPLATED BY THIS AGREEMENT, ANY ANCILLARY AGREEMENTS OR OTHERWISE, IS REPRESENTING OR WARRANTING IN ANY WAY TO ANY PARTY HERETO AS TO THE ASSETS, BUSINESSES OR LIABILITIES CONTRIBUTED, TRANSFERRED OR ASSUMED AS CONTEMPLATED HEREBY OR THEREBY, AS TO ANY CONSENTS OR GOVERNMENTAL APPROVALS REQUIRED IN CONNECTION HERewith OR THEREWITH, AS TO THE VALUE OR FREEDOM FROM ANY SECURITY INTERESTS, RESTRICTIONS ON TRANSFER, ENCUMBRANCE OR LIEN, NON-INFRINGEMENT, OR ANY OTHER MATTER CONCERNING, ANY ASSETS OF SUCH PARTY, OR AS TO THE ABSENCE OF ANY DEFENSES OR RIGHT OF SETOFF OR FREEDOM FROM COUNTERCLAIM WITH RESPECT TO ANY ACTION OR OTHER ASSET, INCLUDING ACCOUNTS RECEIVABLE, OF ANY PARTY, OR AS TO THE LEGAL SUFFICIENCY OF ANY CONTRIBUTION, ASSIGNMENT, DOCUMENT, CERTIFICATE OR INSTRUMENT DELIVERED HEREUNDER TO CONVEY TITLE TO ANY ASSET OR THING OF VALUE UPON THE EXECUTION, DELIVERY AND FILING HEREOF OR THEREOF.

EXCEPT AS MAY EXPRESSLY BE SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT, ALL SUCH ASSETS ARE BEING TRANSFERRED ON AN “AS IS, WHERE IS” BASIS (AND, IN THE CASE OF ANY REAL PROPERTY, BY MEANS OF A QUITCLAIM OR SIMILAR FORM DEED OR CONVEYANCE) AND THE RESPECTIVE TRANSFEREES SHALL BEAR THE ECONOMIC AND LEGAL RISKS THAT (a) ANY CONVEYANCE SHALL PROVE TO BE INSUFFICIENT TO VEST IN THE TRANSFEREE GOOD TITLE, FREE AND CLEAR OF ANY SECURITY INTEREST, RESTRICTIONS ON TRANSFER, ENCUMBRANCE OR LIEN AND (b) ANY NECESSARY CONSENTS OR GOVERNMENTAL APPROVALS ARE NOT OBTAINED OR THAT ANY REQUIREMENTS OF LAWS OR JUDGMENTS ARE NOT COMPLIED WITH.

3. CERTAIN ACTIONS AT OR PRIOR TO THE DISTRIBUTION

3.1 Certificate of Incorporation; By-laws

Prior to the Distribution Date, Ultra shall take (or cause to be taken) all necessary actions to adopt a Certificate of Incorporation and By-laws substantially in the form attached hereto as Exhibit A to be effective as of the Effective Time.

3.2 Directors

- (a) Prior to the Distribution Date, Delta and Ultra shall take (or cause to be taken) all necessary action to cause the Board of Directors of Ultra to include, immediately prior to the Effective Time, the individuals identified in the Information Statement as director nominees of Ultra.
- (b) On or prior to the “listing date” of Ultra Common Stock (as such term is defined under the NYSE Rules), Delta and Ultra shall take (or cause to be taken) all necessary action to cause the Board of Directors of Ultra to include one independent director (as determined in accordance with the NYSE Rules).

3.3 Officers

- (a) On or prior to the Effective Time, Delta and Ultra shall take (or cause to be taken) all necessary action to cause the individuals identified as such in the Information Statement to be officers of Ultra as of the Effective Time.

3.4 Resignations and Removals

- (a) On or prior to the Effective Time or as soon thereafter as practicable, (i) Delta shall cause all its employees and any employees of its Subsidiaries (excluding any employees of any member of the Ultra Group) to resign or be removed, effective as of the Effective Time, from all positions as officers or directors of any member of the Ultra Group in which they serve, except as otherwise contemplated by Section 3.2(a), and (ii) Ultra shall cause all its employees and any employees of its Subsidiaries to resign, effective as of the Effective Time, from all positions as officers or directors of any members of the Delta Group in which they serve.
- (b) No Person shall be required by any Party to resign from any position or office with another Party if such Person is disclosed in the applicable Information Statement as the Person who is to hold such position or office following the Distribution.

4. THE DISTRIBUTION

4.1 Stock Distribution to Delta Stockholders

At the Effective Time, Delta shall cause the Distribution Agent to distribute all of the outstanding shares of Ultra Common Stock then owned by Delta to the Record Holders, and to credit the appropriate number of such shares of Ultra Common Stock to book entry accounts for each such Record Holder or designated transferee or transferees of such Record Holder. Each Record Holder (or such holder's designated transferee or transferees) shall be entitled to receive in the Distribution one (1) share of Ultra Common Stock for every one (1) share of Delta Common Stock held by such stockholder; provided that notwithstanding anything herein to the contrary, Delta shall not distribute any fractional shares of Ultra Common Stock and instead, the Distribution Agent will aggregate fractional shares to which Record Holders would otherwise be entitled into whole shares, sell the whole shares in the open market at prevailing market prices and distribute the aggregate net cash proceeds from the sales pro rata to each Record Holder who would otherwise have been entitled to receive a fractional share in the Distribution.

4.2 Actions in Connection with the Distribution

- (a) Prior to the Distribution Date, Ultra shall file its Form 10 and such amendments and supplements to its Form 10 as Delta may reasonably request, and such amendments as may be necessary in order to cause the same to become and remain effective as required by Law, including filing such amendments and supplements to its Form 10 as may be required by the Commission or federal, state or foreign securities Laws. Ultra shall mail to the holders of Delta Common Stock, at such time on or prior to the Distribution Date as Delta shall determine, the Information Statement included in its Form 10, as well as any other information concerning Ultra, its business, operations and management, the transaction contemplated herein and such other matters as Delta shall reasonably determine are necessary and as may be required by Law. Promptly after receiving a request from Delta, to the extent requested, Ultra shall prepare and, in accordance with applicable Law, file with the Commission any such documentation that Delta reasonably determines is necessary or desirable to effectuate the Distribution, and Delta and Ultra shall each use commercially reasonable efforts to obtain all necessary approvals from the Commission with respect thereto as soon as practicable.
- (b) Ultra shall use commercially reasonable efforts in preparing, filing with the Commission and causing to become effective, as soon as reasonably practicable (but in any case prior to the Effective Time), an effective registration statement or amendments thereof which are required in connection with the establishment of, or amendments to, any employee benefit plans of Ultra.
- (c) To the extent not already approved and effective, Ultra shall use commercially reasonable efforts to have approved and made effective, the application for the original listing on the NYSE of the Ultra Common Stock to be distributed in the Distribution, subject to official notice of issuance.
- (d) Delta shall promptly send to each Record Holder a statement concerning information regarding the allocation of tax basis between the Delta Common Stock and Ultra Common Stock held by such stockholder or otherwise satisfy any requirement to so send by instead posting such information on its website in accordance with, and for the time required by, applicable Law.

4.3 Sole Discretion of the Board of Delta

The Board, in its sole and absolute discretion, shall determine the Distribution Date and the Effective Time of the Distribution and the timing of the consummation thereof. In addition, the Board may, at any time and from time to time until the completion of the Distribution, decide to abandon the Distribution.

4.4 Conditions to Distribution

Subject to Section 4.3, the following are conditions to the consummation of the Distribution. These conditions are for the sole benefit of Delta and shall not give rise to or create any duty on the part of Delta or the Board to waive or not waive any such condition.

- (a) The Board shall have authorized and approved the Internal Reorganization and the Distribution, and shall have declared the distribution of Ultra Common Stock to Delta stockholders;
- (b) Each Ancillary Agreement shall have been executed by each party thereto;
- (c) The Form 10 shall have been declared effective by the Commission, no stop order suspending the effectiveness thereof shall be in effect and no proceedings for such purpose shall be pending before or threatened by the Commission;
- (d) The Ultra Common Stock to be delivered in the Distribution shall have been approved for listing on the NYSE, subject to official notice of issuance;
- (e) On or prior to the Distribution Date, Delta shall have received a written opinion from Skadden, Arps, Slate, Meagher & Flom LLP, its tax counsel, in form and substance satisfactory to Delta (in its sole discretion) (the “**Tax Opinion**”), which shall remain in full force and effect, that, subject to the accuracy and completeness of the representations, warranties and covenants set forth in the representation letters from Delta and Ultra accompanying such opinion, (i) the Internal Reorganization, taken together with the Distribution, should qualify as a reorganization within the meaning of Section 368(a)(1)(D) of the Code, (ii) Delta should recognize no gain or loss under Section 361(c) of the Code upon the Distribution and (iii) Delta’s stockholders should recognize no gain or loss under Section 355(a) of the Code upon the receipt of Ultra Stock in the Distribution;
- (f) The Internal Reorganization shall have been completed;
- (g) The Special Dividend shall have been declared and paid to Delta and the Debt Exchange shall have been effected on the terms set forth in the Merger Agreement.
- (h) No order, injunction or decree issued by any Governmental Entity of competent jurisdiction or other legal restraint or prohibition preventing the consummation of all or any portion of the Distribution shall be in effect;
- (i) The Information Statement shall have been mailed to the holders of Delta Common Stock as of the Record Date;
- (j) The actions and events set forth in Section 3.2(a) and Section 3.2(b) shall have occurred; and

- (k) Prior to the Effective Time, the Board shall have obtained written opinions from a nationally recognized valuation firm, in form and substance reasonably satisfactory to Delta, with respect to the capital adequacy and solvency of each of Delta and Ultra after giving pro forma effect to the Distribution and the Special Dividend (each such opinion, a “**Solvency Opinion**”).

5. CERTAIN COVENANTS

5.1 Access to Personnel and Cooperation

- (a) Each employee of a Party (or a member of such Party’s Group) shall be entitled to communicate with employees of the other Party (or a member of such Party’s Group), subject to compliance with the other provisions this Agreement (including Section 7.5 (Confidentiality)) and the Ancillary Agreements.
- (b) From and after the Effective Time and subject to compliance with the other provisions this Agreement (including Section 7.5 (Confidentiality)) and the Ancillary Agreements, each Party shall, and shall cause each member of its Group and its employees to:
 - (i) provide reasonable cooperation and assistance to the other Party and its employees for any matter reasonably requested in connection with the separation of the Ultra Business and the Delta Business and the completion of the transactions contemplated herein and in each Ancillary Agreement,
 - (ii) transfer such knowledge regarding the other Party’s Business (or Delta’s historical business) that is known by the first Party’s employees, at the reasonable request of the other Party or any of its employees;
 - (iii) reasonably assist the other Party in the orderly and efficient transition in becoming a separate company;
 - (iv) reasonably assist the other Party in connection with requests for information from, audits or other examinations of, such other Party by a Governmental Entity; and
 - (v) reasonably assist the other Party in connection with requests for information with respect to conduct prior to the Effective Time by any employee of such other Party insofar as such conduct was the subject of any reported concern, inquiry or investigation relating to non-compliance with any policy governing standards of ethical conduct, subject to appropriate restrictions for classified Information, Privileged information and Confidential Information; provided, however, that no Party shall be required to provide to the other Party any such information (A) that is not permitted to be disclosed under applicable Law, or (B) the unauthorized use or disclosure of which could adversely affect such Party.
- (c) In each case in subsection (a) and (b) above, except as may otherwise be agreed to by the Parties in writing, there shall be no cost to the Party requesting such assistance other than for the actual out-of-pocket costs incurred by the Party (and its employees) providing such assistance; provided that if an employee is requested to provide deliverables or dedicate time to a project, the Parties agree that such services shall be provided pursuant to the Transition Services Agreement.

- (d) In furtherance of, and without limiting, the foregoing, each Party shall make reasonably available to the other Party those employees with particular knowledge of any function or service of which the other Party was not allocated such employees, agents or consultants with particular knowledge in connection with the transactions contemplated herein and in each Ancillary Agreement.

5.2 Periodic Meetings

Unless otherwise agreed to by the Parties, at least once during each fiscal quarter during the twelve (12) month period following the Distribution Date, the Parties shall hold a meeting for the purpose of sharing Information related to this Agreement or the preparation of any Party's financial statements. Each Party shall designate between one (1) and three (3) persons as its standing representatives for such meetings. The Managing Party shall be responsible for scheduling such meeting at reasonably consistent and convenient times and on no less than thirty (30) days' notice. The Parties' standing representatives and others may participate in such meetings in person or other medium by which all participants may hear each other.

5.3 Non-competition

- (a) Except as provided in Section 5.3(b), during the period beginning on the Distribution Date and ending on the second anniversary of the Distribution Date, neither Ultra nor any of its controlled Affiliates will own, manage, operate, control or participate in the ownership, management, operation or control of any company engaged in the Delta Field.
- (b) Nothing contained in this Section 5.3 shall prohibit Ultra or its controlled Affiliates from:
 - (i) acquiring or holding shares of capital stock or a partnership or other equity interest in any Person that engages in the Delta Field in the Territory, where such shares or interest represent no more than twenty five percent (25%) of the outstanding voting power in such Person; provided, however, that in any such case, such shares or interests are purchased and/or held solely for investment purposes and Ultra or its Affiliates are not in control of such Person;
 - (ii) acquiring (whether by merger, consolidation, stock or asset purchase or other similar transaction) all or substantially all of the business of any Person fifty percent (50%) or less of whose revenues is derived from the Delta Field within the Territory; provided, however, that, within twelve (12) months after its acquisition, Ultra or its Affiliates shall use all commercially reasonable efforts to sell the portion of the business of such Person which is then operating in the Delta Field within the Territory if such portion represents more than ten percent (10%) of the pro forma consolidated revenue of Ultra and the acquired business during the fiscal year immediately preceding such acquisition after giving effect to such acquisition;
 - (iii) marketing or selling its own products or services that are not in the Delta Field within the Territory; or
 - (iv) owning, managing, operating or controlling (A) Vector and Kodiak or any of their existing Subsidiaries, in each case in substantially the same manner as conducted on the date hereof, provided, however, that, except as provided in the IP Matters Agreement, no such activities in the Delta Field shall be expanded or materially modified, and any

Contracts that would otherwise be prohibited but for this sub clause (A) shall not be renewed, replaced or materially modified (except where the failure to so renew, replace or modify would cause Vector or Kodiak or its Subsidiaries to breach such Contract)) and (B) any business acquired in accordance with (b)(ii) above in substantially the same manner as conducted on the date of the acquisition.

- (c) Except as provided in Section 5.3(d), during the period beginning on the Distribution Date and ending on the second anniversary of the Distribution Date, neither Delta nor any of its controlled Affiliates will own, manage, operate, control or participate in the ownership, management, operation or control of any company engaged in the Ultra Field in the Territory.
- (d) Nothing contained in this Section 5.3 shall prohibit Delta or its controlled Affiliates from:
 - (i) acquiring or holding shares of capital stock or a partnership or other equity interest in any Person that engages in the Ultra Field in the Territory, where such shares or interest represent no more than twenty five percent (25%) of the outstanding voting power in such Person; provided, however, that in any such case, such shares or interests are purchased and/or held solely for investment purposes and Delta or its Affiliates are not in control of such Person;
 - (ii) acquiring (whether by merger, consolidation, stock or asset purchase or other similar transaction) all or substantially all of the business of any Person fifty percent (50%) or less of whose revenues is derived from the Ultra Field within the Territory; provided, however, that, within twelve (12) months after its acquisition, Delta or its Affiliates shall use all commercially reasonable efforts to sell the portion of the business of such Person which is then operating in the Ultra Field within the Territory if such portion represents more than ten percent (10% of the pro forma consolidated revenue of Delta and the acquired business during the fiscal year immediately preceding such acquisition after giving effect to such acquisition;
 - (iii) marketing or selling its own products or services that are not in the Ultra Field within the Territory;
 - (iv) owning, managing, operating or controlling (A) Tribridge, Inc. or any of its existing Subsidiaries, in each case in substantially the same manner as conducted on the date hereof, provided, however, that, except as provided in the IP Matters Agreement, no such activities in the Ultra Field shall be expanded or materially modified, and any Contracts that would otherwise be prohibited but for this sub clause (A) shall not be renewed, replaced or materially modified (except where the failure to so renew, replace or modify would cause Tribridge, Inc. or its Subsidiaries to breach such Contract) and (B) any business acquired in accordance with (b)(ii) above in substantially the same manner as conducted on the date of the acquisition
 - (v) owning, managing, operating or controlling any business acquired in accordance with (d)(ii) above in substantially the same manner as conducted on the date of the acquisition.

5.4 Tax Matters

- (a) Delta and Ultra shall, and shall cause their respective Subsidiaries to, use their reasonable best efforts to seek, as promptly as practical, the Tax Opinion.
- (b) Prior to the Distribution Date, Delta and Ultra shall, and shall cause their respective Subsidiaries to, terminate any tax sharing, indemnity, allocation or similar agreement primarily related to Taxes (other than the Tax Matters Agreement) between Delta and any of its Subsidiaries on the one hand and Ultra and its Subsidiaries on the other hand such that no party to any such agreement shall have any obligations or rights thereunder after the Distribution Date (other than the Tax Matters Agreement).

5.5 Solvency Opinion

Delta shall use its reasonable best efforts (a) to obtain each Solvency Opinion contemplated by Section 4.4(k) prior to the Termination Date, and (b) to promptly take or cause to be taken all actions, and shall promptly use its reasonable best efforts to do or cause to be done and assist and cooperate with the other Party in doing all things necessary, proper or advisable to obtain each such Solvency Opinion prior to the Termination Date.

6. INDEMNIFICATION

6.1 Release of Pre-Distribution Claims

- (a) Except (i) as provided in Section 6.1(b), (ii) as may be otherwise expressly provided in this Agreement or in any Ancillary Agreement and (iii) for any matter for which any Party is entitled to indemnification pursuant to this Section 6, each Party (A) for itself and each member of its respective Group, their respective Affiliates as of immediately prior to the Effective Time and, to the extent legally permissible, all Persons who at any time prior to the Effective Time were directors, officers, agents or employees of any member of their Group (in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns, does hereby remise, release and forever discharge the other Parties and the other members of such other Parties' Group, their respective Affiliates and all Persons who at any time prior to the Effective Time were stockholders, directors, officers, agents or employees of any member of such other Parties (in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at Law or in equity (including any right of contribution), whether arising under any Contract, by operation of Law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Effective Time, including in connection with the Internal Reorganization and the Distribution and any of the other transactions contemplated hereunder and under the Ancillary Agreements and (B) in any event will not, and will cause its respective Subsidiaries not to, bring any Action or claim against any member of the other Groups in respect of any such Liabilities.
- (b) Nothing contained in this Agreement shall impair or otherwise affect any right of any Party and, as applicable, a member of such Party's Group, to enforce this Agreement, any Ancillary Agreement or any agreements, arrangements, commitments or understandings contemplated in this Agreement or in any Ancillary Agreement to continue in effect after the Effective Time. In addition, nothing contained in Section 6.1(a) shall release any person from:

- (i) any Liability assumed, Transferred or allocated to a Party or a member of such Party's Group pursuant to or contemplated by, or any other Liability of any member of such Group under, this Agreement or any Ancillary Agreement including (A) with respect to Delta, any Delta Liability and (B) with respect to Ultra, any Ultra Liability;
- (ii) any Liability for the sale, lease, construction, manufacture or receipt of goods, property or services purchased, obtained or used in the ordinary course of business by a member of one Group from or on behalf of a member of any other Group prior to the Effective Time;
- (iii) any Liability provided in or resulting from any other Contract or understanding that is entered into after the Effective Time between any Party (and/or a member of such Party's or Parties' Group), on the one hand, and any other Party or Parties (and/or a member of such Party's or Parties' Group), on the other hand;
- (iv) any Liability that the Parties may have with respect to indemnification pursuant to this Agreement or otherwise for claims brought against the Parties by third Persons, which Liability shall be governed by the provisions of this Agreement and, in particular, this Section 6 and, if applicable, the appropriate provisions of the Ancillary Agreements; and
- (v) Liabilities under the Transitional Parent Debt.

In addition, nothing contained in Section 6.1(a) shall release Delta from indemnifying any director, officer or employee of Ultra who was a director, officer or employee of Delta or any of its Affiliates prior to the Effective Time, to the extent such director, officer or employee is or becomes a named defendant in any Action with respect to which he or she was entitled to such indemnification pursuant to then existing obligations.

- (c) Each Party shall not, and shall not permit any member of its Group to, make any claim, demand or offset, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against any other Party or any member of any other Party's Group, or any other Person released pursuant to Section 6.1(a), with respect to any Liabilities released pursuant to Section 6.1(a).
- (d) It is the intention of each Party, by virtue of the provisions of this Section 6.1, to provide, to the fullest extent permitted by applicable Law, for a full and complete release and discharge of all Liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed at or before the Effective Time, whether known or unknown, between or among any Party (and/or a member of such Party's Group), on the one hand, and any other Party or Parties (and/or a member of such Party's or Parties' Group), on the other hand (including any contractual agreements or arrangements existing or alleged to exist between or among any such members at or before the Effective Time), except as specifically set forth in Section 6.1(a) and Section 6.1(b). At any time, at the reasonable request of any other Party, each Party shall cause each member of its respective Group and, to the extent practicable, each other Person on whose behalf it released Liabilities pursuant to this Section 6.1 to execute and deliver releases, to the fullest extent permitted by applicable Law, reflecting the provisions hereof.

6.2 Indemnification by Delta

Except as otherwise specifically set forth in any provision of this Agreement or of any Ancillary Agreement, following the Effective Time, Delta shall and shall cause the other members of the Delta Group to indemnify, defend and hold harmless the Ultra Indemnitees from and against any and all Losses of the Ultra Indemnitees arising out of, by reason of or otherwise in connection with (a) the Delta Liabilities or alleged Delta Liabilities or (b) any breach by Delta of any provision of this Agreement or any Ancillary Agreement unless such Ancillary Agreement expressly provides for separate indemnification therein, in which case any such indemnification claims shall be made thereunder.

6.3 Indemnification by Ultra

Except as otherwise specifically set forth in any provision of this Agreement or of any Ancillary Agreement, following the Effective Time, Ultra shall and shall cause the other members of the Ultra Group to indemnify, defend and hold harmless the Delta Indemnitees from and against any and all Losses of the Delta Indemnitees arising out of, by reason of or otherwise in connection with (a) the Ultra Liabilities or alleged Ultra Liabilities or (b) any breach by Ultra of any provision of this Agreement or any Ancillary Agreement unless such Ancillary Agreement expressly provides for separate indemnification therein, in which case any such indemnification claims shall be made thereunder.

6.4 Procedures for Indemnification

- (a) Other than with respect to Third Party Claims, which shall be governed by Section 6.4(b) each Delta Indemnatee and Ultra Indemnatee (each, an “**Indemnatee**”) shall notify in writing, with respect to any matter that such Indemnatee has determined has given or could give rise to a right of indemnification under this Agreement or any Ancillary Agreement, the Party which is or may be required pursuant to this Section 6 or pursuant to any Ancillary Agreement to make such indemnification (the “**Indemnifying Party**”), within thirty (30) days of such determination, stating the amount of the Loss claimed, if known, and method of computation thereof, and referring to the provisions of this Agreement in respect of which such right of indemnification is claimed by such Indemnatee or arises; provided, however, that the failure to provide such written notice shall not release the Indemnifying Party from any of its obligations except and solely to the extent the Indemnifying Party shall have been actually prejudiced as a result of such failure. Each such Indemnatee shall provide the applicable Indemnifying Party with reasonable access, upon reasonable prior written notice and during normal business hours, in a manner so as not to unreasonably interfere in any material respect with the normal business operations of such Indemnatee, to its books and records, properties and personnel relating to the claim the Indemnatee has determined has given or could give rise to a right of indemnification under this Agreement or any Ancillary Agreement.
- (b) Third Party Claims. If a claim or demand is made by any Person who is not a party to this Agreement (a “**Third Party Claim**”) against an Indemnatee as to which such Indemnatee is or may be entitled to indemnification pursuant to this Agreement or any Ancillary Agreement, such Indemnatee shall notify the Indemnifying Party in writing, and in reasonable detail, of the Third Party Claim promptly (and in any event within thirty (30) days) after receipt by such Indemnatee of written notice of the Third Party Claim; provided, however, that the failure to provide notice of any such Third Party Claim pursuant to this or the preceding sentence shall not release the Indemnifying Party from any of its obligations except and solely to the extent the Indemnifying Party shall have been actually and materially prejudiced as a result of such failure.

- (c) Other than in the case of Taxes addressed in the Tax Matters Agreement, the Indemnifying Party shall be entitled to participate in the defense of any Third Party Claim and, if it so chooses, to assume the defense thereof, at such Indemnifying Party's own cost and expense and by such Indemnifying Party's own counsel, that is reasonably acceptable to the Indemnatee, within thirty (30) days of the receipt of such notice from such Indemnatee; provided, however, that the Indemnifying Party shall not be entitled to assume the defense of any Third Party Claim to the extent such Third Party Claim (x) is an allegation of a criminal violation or (y) seeks injunctive relief against the Indemnatee. In connection with the Indemnifying Party's defense of a Third Party Claim, such Indemnatee shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement thereof, at its own expense and, in any event, shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party, at the Indemnifying Party's expense, all witnesses, pertinent Information, materials and information in such Indemnatee's possession or under such Indemnatee's control relating thereto as are reasonably required by the Indemnifying Party; provided, however, that in the event of that any of the Indemnities reasonably believes there is a conflict of interest between the Indemnifying Party and the applicable Indemnatee, such Indemnatee shall be entitled to retain, at the Indemnifying Party's expense, separate counsel as required by the applicable rules of professional conduct with respect to such matter.
- (d) Notwithstanding any assumption of defense of a Third Party Claim by an Indemnifying Party in accordance with Section 6.4 (c), in the event that in the course of defending such Third Party Claim the Indemnifying Party or the other Party becomes aware that the subject matter of such Third Party Claim relates to a Liability of the other Party and not to a Liability of such Indemnifying Party, then the Indemnifying Party shall, subject to the prior written consent of the other Party to which such Liability belongs (which consent shall not be unreasonably withheld or delayed), use commercially reasonable efforts to transfer the defense of such claim to such other Party, and shall thereafter cooperate fully with such other Party in such defense and make available to such other Party, at such Party's expense, all witnesses, pertinent Information, materials and information in such Indemnifying Party's possession or under such Indemnifying Party's control relating to such Third Party Claim as are reasonably required by such other Party.
- (e) Until and unless the Indemnifying Party assumes responsibility for defending a Third Party Claim, such Indemnatee may defend such Third Party Claim at the cost and expense of the Indemnifying Party. If the Indemnatee is conducting the defense against any such Third Party Claim, the Indemnifying Party shall cooperate with the Indemnatee in such defense and make available to the Indemnatee, at the Indemnatee's expense, all witnesses, pertinent Information, and material in such Indemnifying Party's possession or under such Indemnifying Party's control relating thereto as are reasonably required by the Indemnatee.
- (f) Unless the Indemnifying Party has failed to assume the defense of the Third Party Claim in accordance with the terms of this Agreement, no Indemnatee may settle or compromise any Third Party Claim without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed.
- (g) In the case of a Third Party Claim, no Indemnifying Party shall consent to entry of any judgment or enter into any settlement of the Third Party Claim without the prior written consent of the Indemnatee (not to be unreasonably withheld or delayed) if the effect thereof is to permit any injunction, declaratory judgment or other non-monetary relief to be entered, directly or indirectly, against any Indemnatee. For the avoidance of doubt, no such consent shall be required to the extent such judgment or settlement is for monetary damages.

- (h) Except as otherwise set forth in Section 7.6, or as set forth in any Ancillary Agreement, absent fraud or willful misconduct by an Indemnifying Party, the indemnification provisions of this Section 6 shall be the sole and exclusive remedy of an Indemnitee for any monetary or compensatory damages or losses resulting from any breach of this Agreement and each Indemnitee expressly waives and relinquishes any and all rights, claims or remedies such Person may have with respect to the foregoing other than under this Section 6 against any Indemnifying Party. For the avoidance of doubt, all disputes in respect of this Section 6 shall be resolved in accordance with Section 8.

6.5 Cooperation in Defense and Settlement

- (a) With respect to any Third Party Claim that implicates both Parties in any material respect due to the allocation of Liabilities, responsibilities for management of defense and related indemnities pursuant to this Agreement or any of the Ancillary Agreements, the Parties agree to use commercially reasonable efforts to cooperate fully and maintain a joint defense (in a manner that will preserve for all Parties any Privilege with respect thereto). The Party that is not responsible for managing the defense of any such Third Party Claim shall, upon reasonable request, be consulted with respect to significant matters relating thereto and may, if necessary or helpful, retain counsel to assist in the defense of such claims.
- (b) Delta and Ultra each agree that at all times from and after the Effective Time, if an Action is commenced by a third party naming both Parties (or any member of such Parties' respective Groups) as defendants and with respect to which a named Party (or any member of such Party's respective Group) is a nominal defendant and/or such Action is otherwise not a Liability allocated to such named Party under this Agreement or any Ancillary Agreement, then the other Party shall use commercially reasonable efforts to cause such nominal defendant to be removed from such Action, as soon as reasonably practicable.

6.6 Indemnification Payments

Indemnification required by this Section 6 shall be made by periodic payments of the amount of Losses in a timely fashion during the course of the investigation or defense, as and when bills are received or a Loss incurred.

6.7 Indemnification Obligations Net of Insurance Proceeds and Other Amounts

- (a) Any Loss subject to indemnification pursuant to this Section 6 shall be calculated (i) net of insurance proceeds that actually reduce the amount of the Loss, (ii) net of any proceeds received by the Indemnitee from any third party for indemnification for such Liability that actually reduce the amount of the Loss ("**Third Party Proceeds**") and (iii) net of any Tax benefits actually realized in accordance with, and subject to, the principles set forth or referred to in Section 2.4 of the Tax Matters Agreement. Accordingly, the amount which any Indemnifying Party is required to pay pursuant to this Section 6 to any Indemnitee pursuant to this Section 6 shall be reduced by any Insurance Proceeds or Third Party Proceeds theretofore actually recovered by or on behalf of the Indemnitee in respect of the related Loss. If an Indemnitee receives a payment required by this Agreement from an Indemnifying Party in respect of any Loss (an "**Indemnity Payment**") and subsequently receives Insurance Proceeds or Third Party

Proceeds, then the Indemnatee shall pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the Insurance Proceeds or Third Party Proceeds had been received, realized or recovered before the Indemnity Payment was made.

- (b) The Parties acknowledge that the indemnification provisions hereof do not relieve any insurer who would otherwise be obligated to pay any claim to pay such claim. In furtherance of the foregoing, the Indemnatee shall use commercially reasonable efforts to seek to collect or recover any Insurance Proceeds and any Third Party Proceeds (other than Insurance Proceeds under an arrangement where future premiums are adjusted to reflect prior claims in excess of prior premiums) to which the Indemnatee is entitled in connection with any Loss for which the Indemnatee seeks indemnification pursuant to this Section 6; provided that the Indemnatee's inability to collect or recover any such Insurance Proceeds or Third Party Proceeds (despite having used commercially reasonable efforts) shall not limit the Indemnifying Party's obligations hereunder.

6.8 Additional Matters; Survival of Indemnities

- (a) The indemnity agreements contained in this Section 6 shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Indemnatee; (ii) the knowledge by the Indemnatee of Losses for which it might be entitled to indemnification hereunder; and (iii) any termination of this Agreement following the Effective Time.
- (b) The rights and obligations of each Party and their respective Indemnitees under this Section 6 shall survive the sale or other Transfer by any Party or its respective Subsidiaries of any Assets or businesses or the assignment by it of any Liabilities, with respect to any Loss of any Indemnatee related to such Assets, businesses or Liabilities.

7. PRESERVATION OF RECORDS; ACCESS TO INFORMATION; CONFIDENTIALITY; PRIVILEGE

7.1 Preservation of Corporate Records

- (a) Except to the extent otherwise provided herein or in any Ancillary Agreement, a Party maintaining or providing Records or access to Information to the other Party under this Agreement shall be entitled to receive from such other Party, upon the presentation of invoices therefor, payments for such amounts, relating to supplies, disbursements and other out-of-pocket expenses (which shall not include the costs of salaries and benefits of employees of such Party or any pro rata portion of overhead or other costs of employing such employees which would have been incurred by such employees' employer regardless of the employees' service with respect to the foregoing), as may be reasonably incurred in providing such Records or access to Information.
- (b) The Parties shall comply with those document retention policies as shall be set forth on Schedule 8.1(b) hereto or otherwise established and agreed to in writing by their respective authorized officers at or prior to the Effective Time in respect of Records and related matters. For the avoidance of doubt, each Party shall comply with the records retention requirements applicable to their respective contract with a Government Customer.

7.2 Financial Statements and Accounting; Government Audits

Each Party agrees to provide assistance and reasonable access to its properties, Records, other Information and personnel set forth in this Section 7.2 at the request of the other Party: (i) at any time, with the consent of the other Party (not to be unreasonably withheld or delayed) for reasonable business purposes relating to financial reporting and other regulatory obligations (including disclosure obligations) or other obligations to Government Entities; (ii) from the Effective Time until the completion of each Party's audit for the fiscal year ending March 31, 2019 (or thereabout), in connection with the preparation and audit of each Party's financial statements for the fiscal years ending March 31, 2018 (or thereabout) and March 31, 2019 (or thereabout) (including financial statements for any interim periods), the printing, filing and public dissemination of such financial statements and the audit of each Party's internal controls over financial reporting and management's assessment thereof and management's assessment of each Party's disclosure controls and procedures, if required; (iii) in the event that either Party changes its independent auditors within two (2) years following the Distribution Date, reasonable access on the terms set forth in this Section 7.2 for a period of up to one hundred and eighty (180) days from such change; and (iv) to the extent reasonably necessary to respond to any written request or official comment from a Governmental Entity, such as in connection with responding to a comment letter from the Commission or an audit request from the Defense Contract Audit Agency or the Defense Contract Management Agency. Without limiting the foregoing, each Party agrees as follows:

- (a) Financial Statements. Each Party shall provide reasonable access to the other Party on a timely basis to all Information reasonably required to meet its schedule for the preparation, printing, filing, and public dissemination of its quarterly and annual financial statements and for management's assessment of the effectiveness of its disclosure controls and procedures and its internal controls over financial reporting in accordance with Items 307 and 308, respectively, of Regulation S-K and, to the extent applicable to such Party, its auditor's audit of its internal controls over financial reporting and management's assessment thereof in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 and the Commission's and the Public Company Accounting Oversight Board's rules and auditing standards thereunder, if required (such assessments and audit being referred to as the "**Internal Control Audit and Management Assessments**"). Without limiting the generality of the foregoing, each Party shall provide all required financial and other Information with respect to itself and its Subsidiaries to its auditors in a sufficient and reasonable time and in sufficient detail to permit its auditors to take all steps and perform all reviews necessary to provide sufficient assistance, if requested, to each other Party's auditors with respect to Information to be included or contained in such other Party's annual financial statements and to permit such other Party's auditors and management to complete the Internal Control Audit and Management Assessments, for all required periods in the fiscal years ending March 31, 2018 (or thereabout) and March 31, 2019 (or thereabout).
- (b) Access to Audit Personnel and Records. Except to the extent otherwise contemplated by the Ancillary Agreements, each Party shall authorize its respective auditors to make reasonably available to the other Party's auditors (the "**Other Party's Auditors**") both the personnel who performed or are performing the annual audits of such audited Party (each Party with respect to its own audit, the "**Audited Party**") and work papers related to the annual audits of such Audited Party (subject to the execution of any reasonable and customary access letters that such Audited Party's auditors may require in connection with the review of such work papers by such Other Party's Auditors), in all cases within a reasonable time prior to such Audited Party's auditors' opinion date, so that the Other Party's Auditors are able to perform the procedures they reasonably consider necessary to take responsibility for the work of the Audited Party's auditors as it relates to their auditors' report on such other Party's financial statements, all within sufficient time to enable such other Party to meet its timetable for the printing, filing and public dissemination of its annual financial statements.

- (c) Annual Reports. Each Party shall deliver to the other Party a reasonably complete draft of the portions of the annual report (and financial statements required to be filed therewith) for the fiscal year ending March 31, 2018 (or thereabout) (the “**Annual Report**”) that relate to or directly discuss the Distribution and the other transactions contemplated by this Agreement, no later than two weeks prior to the date such Annual Report is expected to be filed; provided, however, that for the avoidance of doubt, each Party may continue to revise its respective Annual Report prior to the filing thereof, with material changes to the portions of the Annual Report and accompanying financial statements that are required to be shared hereunder to be delivered to the other Party as soon as reasonably available. Each Party shall notify the other Party, as soon as reasonably practicable after becoming aware thereof, of any material accounting differences relating to the Distribution and other transactions contemplated by this Agreement between the financial statements to be included in such Party’s Annual Report and the pro forma financial statements included, as applicable, in the Form 10 or the Form 8-K to be filed by Delta with the Commission on or about the time of the Distribution. If any such differences are notified by any Party, the Parties shall confer and/or meet as soon as reasonably practicable thereafter, and in any event prior to the filing of any Annual Report, to consult with each other in respect of such differences and the effects thereof on the Parties’ Annual Reports. Notwithstanding anything herein to the contrary, neither Party shall be required to disclose to the other Party events or occurrences that such Party determines in good faith to be significant or material to such Party and that are not appropriate for disclosure.
- (d) Nothing in this Section 7 shall require any Party to violate any agreement with any third party regarding the confidentiality of confidential and proprietary Information relating to that third party or its business; provided, however, that in the event that a Party is required under this Section 7.2 to disclose any such Information, such Party shall use commercially reasonable efforts to seek to obtain such third party’s written consent to the disclosure of such Information.

7.3 Provision of Information

Other than in circumstances in which indemnification is sought pursuant to Section 6 (in which event the provisions of such Section shall govern) or for matters related to provision of Tax Records (in which event the provisions of the Tax Matters Agreement shall govern), and subject to appropriate restrictions for classified Information, Privileged Information or Confidential Information:

- (a) If Information that is retained by Delta (pursuant to the proviso in Section 1.1(14)(xii)) is (i) Delta Information but used in or related to the Ultra Business, Ultra shall have the right to access and use such Information and make reasonable copies thereof but solely for its internal purposes consistent with past practice, subject to applicable security restrictions and confidentiality obligations as set forth in Section 7.5 (Confidentiality) and (ii) Ultra Information, Ultra shall have the right to access and use such Information and make reasonable copies thereof, which copies shall be included in the Ultra Assets;
- (b) If Information that is retained by Ultra (pursuant to the proviso in Section 1.1(19)(xii)) is (i) Ultra Information but used in or related to the Delta Business, Delta shall have the right to access and use such Information and make reasonable copies thereof but solely for its internal purposes consistent with past practice, subject to applicable security restrictions and confidentiality obligations as set forth in Section 7.5 and (ii) is Delta Information, Delta shall have the right to access and use such Information and make reasonable copies thereof, which copies shall be included in the Delta Assets.

7.4 Witness Services

Except in the event the Parties are opposing one another in an Action, in which case normal discovery rules shall apply, at all times from and after the Effective Time, Delta and Ultra shall each use its commercially reasonable efforts to make available to the other Party, upon reasonable written request, its and its Subsidiaries' former (to the extent practicable) and then-current directors, officers, employees, other personnel and agents of such Party as witnesses and any Records or other Information within its control or which it otherwise has the ability to make available (other than materials covered by any Privilege) to the extent that such Persons (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or Records or other Information may reasonably be required to testify, in the case of Persons, or be provided, in the case of Records or Information, in connection with the prosecution or defense of any Action in which the requesting Party may from time to time be involved (except for claims, demands or Actions between members of each Group). A Party providing a witness to the other Party under this Section shall be entitled to receive from the recipient of such witness services, upon the presentation of invoices therefor, payments for such amounts, relating to supplies, disbursements and other out-of-pocket expenses (which shall not include the costs of salaries and benefits of employees who are witnesses or any pro rata portion of overhead or other costs of employing such employees which would have been incurred by such employees' employer regardless of the employees' service as witnesses; provided that, notwithstanding the foregoing, the Party providing a witness shall be entitled to receive the pro rata portion of the costs of salaries and benefits of such employees with respect to whom at least thirty percent (30%) of their professional time over a period of one month or greater is dedicated to such witness services), as may be reasonably incurred and properly paid under applicable Law.

7.5 Confidentiality

- (a) Notwithstanding any termination of this Agreement, each Party shall hold, and shall cause each of its respective Subsidiaries to hold, and shall cause its and their respective officers, employees, agents, consultants and advisors to hold, in strict confidence, and not to disclose or release or, except as otherwise permitted by this Agreement or any Ancillary Agreement, use, without the prior written consent of the Party to whom the Confidential Information relates (which may be withheld in such Party's sole and absolute discretion, except where disclosure is required by applicable Law), any and all Confidential Information (as defined herein) concerning or belonging to the other Party; provided that each Party may disclose, or may permit disclosure of, Confidential Information (i) to its respective auditors, attorneys, financial advisors, bankers and other appropriate consultants and advisors who have a need to know such Information and are informed of the obligation to hold such Information confidential and in respect of whose failure to comply with such obligations, the applicable Party will be responsible, (ii) if any Party or any of its respective Subsidiaries is required or compelled to disclose any such Confidential Information by judicial or administrative process or by other requirements of Law or stock exchange rule or is advised by outside counsel in connection with a governmental proceeding that it is advisable to do so, (iii) as required in connection with any legal or other proceeding by one Party against any other Party, (iv) as necessary in order to permit a Party to prepare and disclose its financial statements, Tax Returns or other required disclosures, (v) as necessary for a Party to enforce its rights or perform its obligations under this Agreement (including pursuant to Section 2.3) or an Ancillary Agreement or (vi) to Governmental Entities in accordance with

applicable procurement regulations and contract requirements. Notwithstanding the foregoing, in the event that any demand or request for disclosure of Confidential Information is made pursuant to clause (ii), (iii), (iv), (v) or (vi) above, each Party, as applicable, shall promptly notify (to the extent permissible by Law) the Party to whom the Confidential Information relates of the existence of such request, demand or disclosure requirement and shall provide such affected Party a reasonable opportunity to seek an appropriate protective order or other remedy, which such Party will cooperate in obtaining to the extent reasonably practicable. In the event that such appropriate protective order or other remedy is not obtained, the Party which faces the disclosure requirement shall furnish only that portion of the Confidential Information that is required to be disclosed and shall take commercially reasonable steps to ensure that confidential treatment is accorded such Confidential Information.

- (b) Each Party acknowledges that it and the other members of its Group may have in its or their possession confidential or proprietary Information of third parties that was received under confidentiality or non-disclosure agreements with such third party while such Party and/or members of its Group were part of the Delta Group. Each Party shall comply, and shall cause the other members of its Group to comply, and shall cause its and their respective officers, employees, agents, consultants and advisors (or potential buyers) to comply, with all terms and conditions of any such third-party agreements entered into prior to the Effective Time, with respect to any confidential and proprietary Information of third parties to which it or any other member of its Group has had access.
- (c) The Parties agree that irreparable damage may occur in the event that the provisions of this Section 7.5 were not performed in accordance with their specific terms. Accordingly, it is hereby agreed that the Parties shall be entitled to seek an injunction or injunctions to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.
- (d) For the avoidance of doubt, the disclosure and sharing of Privileged Information shall be governed by Section 7.6 and not by this Section 7.5.

7.6 Privilege Matters

- (a) Pre-Separation Services. The Parties recognize that legal and other professional services that have been and will be provided prior to the Effective Time have been and will be rendered for the collective benefit of each of the members of the Delta Group and the Ultra Group, and that each of the members of the Delta Group and the Ultra Group should be deemed to be the client with respect to such pre-separation services for the purposes of asserting all privileges, immunities, or other protections from disclosure which may be asserted under applicable Law, including attorney-client privilege, business strategy privilege, joint defense privilege, common interest privilege, and protection under the work-product doctrine (“**Privilege**”). The Parties shall have a shared Privilege with respect to all Information subject to Privilege (“**Privileged Information**”) which relates to such pre-separation services. For the avoidance of doubt, Privileged Information within the scope of this Section 7.6 includes, but is not limited to, services rendered by legal counsel retained or employed by any Party (or any member of such Party’s respective Group), including outside counsel and in-house counsel.

- (b) Post-Separation Services. The Parties recognize that legal and other professional services will be provided following the Effective Time to each of Delta and Ultra. The Parties further recognize that certain of such post-separation services will be rendered solely for the benefit of Delta or Ultra, as the case may be, while other such post-separation services may be rendered with respect to claims, proceedings, litigation, disputes, or other matters which involve Delta and Ultra. With respect to such post-separation services and related Privileged Information, the Parties agree as follows:
- (i) All Privileged Information relating to any claims, proceedings, litigation, disputes, or other matters which involve Delta and Ultra shall be subject to a shared Privilege between the Parties involved in the claims, proceedings, litigation, disputes, or other matters at issue; and
- (ii) Except as otherwise provided in Section 7.6(b)(i), Privileged Information relating to post-separation services provided solely to one of Delta or Ultra shall not be deemed shared between the Parties, provided that the foregoing shall not be construed or interpreted to restrict the right or authority of the Parties (x) to enter into any further agreement, not otherwise inconsistent with the terms of this Agreement, concerning the sharing of Privileged Information or (y) otherwise to share Privileged Information without waiving any Privilege which could be asserted under applicable Law.
- (c) The Parties agree as follows regarding all Privileged Information with respect to which the Parties shall have a shared Privilege under Sections 7.6(a) or (b):
- (i) Subject to Section 7.6(c)(iii) and (iv), no Party may waive any Privilege which could be asserted under any applicable Law, and in which the other Party has a shared Privilege, without the consent of the other Party, which shall not be unreasonably withheld or delayed. Consent shall be in writing, or shall be deemed to be granted unless written objection is made within ten (10) days after written notice by the requesting Party to the Party whose consent is sought;
- (ii) If a dispute arises between or among the Parties or their respective Subsidiaries regarding whether a Privilege should be waived to protect or advance the interest of any Party, each Party agrees that it shall negotiate in good faith, shall endeavor to minimize any prejudice to the rights of the other Party, and shall not unreasonably withhold consent to any request for waiver by the other Party. Each Party specifically agrees that it shall not withhold consent to waive for any purpose except to protect its own legitimate interests;
- (iii) If, within ten (10) days of receipt by the requesting Party of written objection, the Parties have not succeeded in negotiating a resolution to any dispute regarding whether a Privilege should be waived, and the requesting Party determines that a Privilege should nonetheless be waived to protect or advance its interest, the requesting Party shall provide the objecting Party ten (10) days written notice prior to effecting such waiver. Each Party specifically agrees that failure within ten (10) days of receipt of such notice to commence proceedings in a court of competent jurisdiction to enjoin such disclosure under applicable Law shall be deemed full and effective consent to such disclosure; and
- (iv) In the event of any litigation or dispute between the Parties, or any members of their respective Groups, either such Party may waive a Privilege in which the other Party or member of such Group has a shared Privilege, without obtaining the consent of the other Party; provided that such waiver of a shared Privilege shall be effective only as to the use of Privileged Information with respect to the litigation or dispute between the Parties and/or the applicable members of their respective Groups, and shall not operate as a waiver of the shared Privilege with respect to third parties.

- (d) The transfer of all Information pursuant to this Agreement is made in reliance on the agreement of Delta or Ultra as set forth in Section 7.5 and this Section 7.6, to maintain the confidentiality of Privileged Information and to assert and maintain any applicable Privilege. The access to Information being granted hereunder, the agreement to provide witnesses and individuals hereunder, the furnishing of notices and documents and other cooperative efforts contemplated hereunder, and the transfer of Privileged Information between the Parties and their respective Subsidiaries pursuant to this Agreement, in each case shall not be deemed a waiver of any Privilege that has been or may be asserted under this Agreement or otherwise.
- (e) Notwithstanding any provision to the contrary in this Section 7.6, the Audit Management Party (as defined in the Tax Matters Agreement) shall have the authority to disclose or not disclose, in its sole discretion, any and all Privileged Information to (i) any Taxing Authority (as defined in the Tax Matters Agreement) conducting a Tax Contest or (ii) to third parties in connection with the defense of a Tax Contest, including expert witnesses, accountants and other advisors, potential witnesses and other parties whose assistance is deemed, in the sole discretion of the Audit Management Party, to be necessary or beneficial to representing the interests of the Parties hereunder.

7.7 Ownership of Information

Any Information owned by one Party or any of its Subsidiaries that is provided to a requesting Party pursuant to this Section 7 shall be deemed to remain the property of the providing Party. Unless specifically set forth herein or in an Ancillary Agreement, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such Information. Delta shall, as soon as reasonably practicable after the Effective Time, provide Ultra with access to and/or copies of such Information consisting of spreadsheet tools and templates used for human resources purposes (the “**HR Tools**”). To the extent any such HR Tools contain personally identifiable information, Delta will use commercially reasonable efforts to remove any such personally identifiable information from the HR Tools prior to delivering the HR Tools to Ultra.

7.8 Other Agreements

The rights and obligations granted under this Section 7 are subject to any specific rights, obligations, limitations, qualifications or additional provisions on the sharing, exchange or confidential treatment of Information set forth in any Ancillary Agreement.

8. DISPUTE RESOLUTION

8.1 Negotiation

In the event of a controversy, dispute or claim arising out of, in connection with, or in relation to the interpretation, performance, nonperformance, validity or breach of this Agreement or the Ancillary Agreements or otherwise arising out of, or in any way related to, this Agreement or the Ancillary Agreements or the transactions contemplated hereby, including any claim based on contract, tort, statute or constitution (collectively, “**Disputes**”), the general counsels of the Parties (or such other individuals designated by the respective general counsels) and/or the executive officers designated by the Parties, shall negotiate for a reasonable period of time to settle such Dispute; provided that such reasonable period shall not, unless otherwise agreed by the Parties in writing, exceed forty-five (45) days from the time of receipt by a Party of written notice of such Agreement Dispute (“**Dispute Notice**”); provided, further, that in the event of any arbitration in accordance with Section 8.3 hereof, the Parties shall not

assert the defenses of statute of limitations and laches arising during the period beginning after the date of receipt of the Dispute Notice, and any contractual time period or deadline under this Agreement or any Ancillary Agreement to which such Dispute relates occurring after the Dispute Notice is received shall not be deemed to have passed until such Dispute has been resolved.

8.2 Mediation

If, within forty-five (45) days after receipt by a Party of a Dispute Notice, the Parties have not succeeded in negotiating a resolution of the Dispute, the Parties may mutually agree to submit the Dispute at the earliest possible date to mediation conducted in accordance with the Mediation Procedure of the International Institute for Conflict Prevention and Resolution (“CPR”), with each Party to bear equally the costs of the mediation; provided, however, that each Party shall bear its own attorneys’ fees and expenses and other costs in connection with such mediation. If mediation has been so agreed, the parties agree to participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) days or such longer period as they may mutually agree following the initial mediation session (the “**Mediation Period**”).

8.3 Arbitration

If the Parties do not elect to submit the Dispute to mediation in accordance with Section 8.2 or the Dispute has not been resolved for any reason after the Mediation Period, such Dispute shall be determined, at the request of any relevant Party, by arbitration conducted in Virginia, before and in accordance with the then-existing Rules for Non-Administered Arbitration of the CPR, except as modified herein (the “**Rules**”). There shall be three arbitrators, one of which shall be designated by each Party and the third of which shall be selected by the two so designated, which two shall be appointed by the Parties within twenty (20) days of receipt by respondent of a copy of the demand for arbitration and which third arbitrator shall be selected within fifteen (15) days thereafter. If the arbitrators are not timely appointed by the Parties (or by the selected arbitrators) under this Section 8.3, he or she shall be appointed by the CPR in accordance with the Rules, and in any such procedure, each Party shall be given two strikes, excluding strikes for cause. Any controversy concerning whether an Dispute is an arbitrable Dispute, whether arbitration has been waived, whether an assignee of this Agreement is bound to arbitrate, or as to the interpretation, validity or enforceability of this Section 8 shall be determined by the arbitrator. In resolving any Dispute, the Parties intend that the arbitrator shall apply the substantive Laws of the State of New York, without regard to any choice of law principles thereof that would mandate the application of the laws of another jurisdiction. The Parties intend that the provisions to arbitrate set forth herein be valid, enforceable and irrevocable, and any award rendered by the arbitrator shall be final and binding on the Parties. The Parties agree to comply and cause the members of their applicable Group to comply with any award made in any such arbitration proceedings and agree to enforcement of or entry of judgment upon such award, in any court of competent jurisdiction, including the Virginia Courts (as defined in Section 10.17). The arbitrator shall be entitled, if appropriate, to award any remedy in such proceedings, including monetary damages, specific performance and all other forms of legal and equitable relief; provided, however, the arbitrator shall not be entitled to award special, consequential, reputational, indirect or punitive damages unless in connection with indemnification for a Third Party Claim (and in such a case, only to the extent awarded in such Third Party Claim).

8.4 Arbitration Period

Any arbitration proceeding shall be concluded in a maximum of six (6) months from the commencement of the arbitration or such other period as the arbitrator together with the Parties involved in such proceeding shall deem reasonable.

8.5 Treatment of Negotiations, Mediation and Arbitration

Without limiting the provisions of the Rules, unless otherwise agreed in writing by the Parties or permitted by this Agreement, the Parties shall keep, and shall cause the members of their applicable Group to keep, confidential all matters relating to and any negotiation, mediation, conference or discussion or otherwise pursuant to this Section 8, all of which shall be treated as compromise and settlement negotiations for purposes of Rule 408 of the Federal Rules of Evidence and comparable state rules; provided that such matters may be disclosed (i) to the extent reasonably necessary in any proceeding ancillary to an arbitration hereunder, including to enforce the award or for entry of a judgment upon the award and (ii) to the extent otherwise required by Law or the rules of any stock exchange on which a Party's securities may be listed. Nothing said or disclosed, nor any document produced, in the course of any negotiations, conferences and discussions that is not otherwise independently discoverable shall be offered or received as evidence or used for impeachment or for any other purpose in any current or future arbitration. Nothing contained herein is intended to or shall be construed to prevent a Party from applying to any court of competent jurisdiction for interim measures or other provisional relief in connection with the subject matter of any Disputes. Without prejudice to such provisional remedies as may be available under the jurisdiction of a court, the arbitral tribunal shall have full authority to grant provisional remedies and to direct the parties to request that any court modify or vacate any temporary or preliminary relief issued by such court, and to award damages for the failure of a Party to respect the arbitral tribunal's orders to that effect.

8.6 Continuity of Service and Performance

Unless otherwise agreed in writing, the Parties shall continue to provide service and honor all other commitments under this Agreement and each Ancillary Agreement during the course of dispute resolution pursuant to the provisions of this Section 8 with respect to all matters not subject to such dispute resolution.

8.7 Consolidation

The arbitrator may consolidate an arbitration under this Agreement with any arbitration arising under or relating to the Ancillary Agreements or any other agreement between the parties entered into pursuant hereto, as the case may be, if the subject of the Disputes thereunder arises out of or relates essentially to the same set of facts or transactions. Such consolidated arbitration shall be determined by the arbitrator appointed for the arbitration proceeding that was commenced first in time.

9. INSURANCE

9.1 Policies and Rights Included Within Assets

- (a) The Delta Assets shall include any and all rights of an insured party under each of the Company Policies, specifically including rights of indemnity and the right to be defended by or at the expense of the insurer, with respect to all claims, suits, actions, proceedings, injuries, losses, liabilities, damages and expenses incurred or claimed to have been incurred prior to the Effective Time by any party in or in connection with the conduct of the Delta Business or, to the extent any claim is made against Delta or any of its Subsidiaries, the conduct of the Ultra Business, and which claims, suits, actions, proceedings, injuries, losses, liabilities, damages and expenses may arise out of an insured or insurable occurrence under one or more of such Company Policies.

- (b) Subject to Section 9.2, the Ultra Assets shall include any and all rights of an insured party under each of the Company Policies that are occurrence-based (as opposed to “claims-made”) policies, subject to Section 9.9 and to the terms of such Company Policies and any limitations or obligations of Ultra contemplated by this Section 9, specifically including rights of indemnity and the right to be defended by or at the expense of the insurer, with respect to all claims, suits, actions, proceedings, injuries, losses, liabilities, damages and expenses incurred or claimed to have been incurred prior to the Effective Time by any party in or in connection with the conduct of the Ultra Business or, to the extent any claim is made against Ultra or any of its Subsidiaries, the conduct of the Delta Business, and which claims, suits, actions, proceedings, injuries, losses, liabilities, damages and expenses may arise out of an insured or insurable occurrence under one or more of such Company Policies; provided, however, that nothing in this clause shall be deemed to constitute (or to reflect) an assignment of such Company Policies, or any of them, to Ultra; and provided further that, with respect to claims under professional liability policies, any such claim in which the ultimate resolution thereof would exceed the self-insured retention may only be settled with the approval of Delta, which approval may not be unreasonably withheld, delayed or conditioned.

9.2 Post-Effective Time Claims

Subject to Section 9.6, if, subsequent to the Effective Time, any person shall assert a claim against Ultra or any of its Subsidiaries (including where Ultra or its Subsidiaries are joint defendants with other persons) with respect to any claim, suit, action, proceeding, injury, loss, liability, damage or expense incurred or claimed to have been incurred prior to the Effective Time in or in connection with the conduct of the Ultra Business or, to the extent any claim is made against Ultra or any of its Subsidiaries (including where Ultra or its Subsidiaries are joint defendants with other persons), the conduct of the Delta Business, and which claim, suit, action, proceeding, injury, loss, liability, damage or expense may arise out of an insured or insurable occurrence under one or more of the Company Policies, Delta shall, at the time such claim is asserted, be deemed to designate, without need of further documentation, Ultra as the agent and attorney-in-fact to assert and to collect any related Insurance Proceeds under such Company Policy, and shall further be deemed to confer, without need of further documentation, but subject to Section 9.10, upon Ultra any and all rights of an insured party under such Company Policy with respect to such asserted claim, specifically including rights of indemnity and the right to be defended by or at the expense of the insurer and the right to any applicable Insurance Proceeds thereunder; provided, however, that nothing in this Section 9.2 shall be deemed to constitute (or to reflect) an assignment of the Company Policies, or any of them, to Ultra.

9.3 Administration; Other Matters

- (a) Administration. Subject to Section 9.10, from and after the Effective Time, each Party shall provide reasonable assistance to the other Party at the request of the other Party in regards to Claims Administration under Company Policies. Ultra shall provide prompt notice to Delta of any claims submitted by it or by its respective Subsidiaries under the Company Policies and of any Insurance Proceeds related thereto. Each Party shall administer and pay any costs relating to defending its respective Insured Claims under Company Policies to the extent such defense costs are not covered under such Policies, shall be responsible for any amounts of its respective Insured Claims under Company Policies that fall below applicable deductibles or self-insured retentions, and shall be responsible for obtaining or reviewing the appropriateness of releases upon settlement of its respective Insured Claims under Company Policies.

- (b) Liability Limitation. Delta and Ultra shall not be liable to one another for claims not reimbursed by insurers for any reason not within the control of Delta or Ultra, as the case may be, including coinsurance provisions, deductibles, quota share deductibles, exhaustion of aggregates, self-insured retentions, bankruptcy or insolvency of an insurance carrier, Company Policy limitations or restrictions, any coverage disputes, any failure to timely claim by Delta or Ultra or any defect in such claim or its processing.
- (c) Maximization of Insurance Proceeds. Each Party agrees to use commercially reasonable efforts to maximize available coverage under those Company Policies applicable to it, and to take all commercially reasonable steps to recover from all other responsible parties in respect of an Insured Claim, including, as may be applicable, pursuing recoveries under other insurance policies available to such Party.

9.4 Agreement for Waiver of Conflict and Shared Defense

In the event that Insured Claims of more than one Party exist relating to the same occurrence, the relevant Parties shall jointly defend and waive any conflict of interest to the extent necessary to the conduct of the joint defense. Nothing in this Section 9.4 shall be construed to limit or otherwise alter in any way the obligations of the Parties, including those created by this Agreement, by operation of law or otherwise.

9.5 Agreement for Waiver of Conflict and Insurance Litigation and/or Recovery Efforts

In the event of any Action by any Party (or both of the Parties) to recover or obtain insurance proceeds, or to defend against any Action by an insurance carrier to deny any Policy benefits, both Parties may join in any such Action and be represented by joint counsel and both Parties shall waive any conflict of interest to the extent necessary to conduct any such Action. Nothing in this Section 9.5 shall be construed to limit or otherwise alter in any way the obligations of the Parties, including those created by this Agreement, by operation of Law, or otherwise.

9.6 Professional Liability Insurance

Ultra agrees that, for a period of at least three years from and after the Effective Time, it will maintain in full force and effect \$100,000,000 of professional liability insurance for the benefit and protection of Ultra with respect to liabilities, damages or expenses incurred or claimed to have been incurred prior to or after the Effective Time.

9.7 No Coverage for Post-Effective Occurrences

Ultra, on behalf of itself and its Subsidiaries, acknowledges and agrees that it will have no coverage under the Company Policies for acts or events that occur after the Effective Time.

9.8 Cooperation

The Parties agree to use their commercially reasonable efforts to cooperate with respect to the various insurance matters contemplated by this Agreement (including in connection with Policies where Delta is an additional named insured).

9.9 Delta as General Agent and Attorney-In-Fact

Notwithstanding anything to the contrary contained herein, Delta remains the owner and holder of all rights and claims in and to the Company Policies. Should the provisions of Sections 9.1 and 9.2 as they pertain to Ultra be challenged and/or fail of their purpose, Delta shall act as agent and attorney-in-fact for Ultra and thereby effectuate, on behalf of Ultra, the provisions of Sections 9.1 and 9.2 of this Agreement; provided that Ultra shall pay Delta's reasonable out of pocket costs relating thereto.

9.10 Additional Premiums, Return Premiums and Pro Rata Cancellation Premium Credits

If additional premiums are payable, or return premiums are receivable, on any Company Policies after the Effective Time as a result of an insurance carrier's retrospective audit of insured exposure, each of Delta and Ultra shall be responsible for its respective share of any such additional premiums.

10. MISCELLANEOUS

10.1 Complete Agreement; Construction

This Agreement, including the Exhibits and Schedules, and the Ancillary Agreements shall constitute the entire agreement between the Parties with respect to the subject matter hereof and shall supersede all previous negotiations, commitments, course of dealings and writings with respect to such subject matter. In the event of any inconsistency between this Agreement and any Schedule hereto, the Schedule shall prevail. Except as expressly set forth in this Agreement or any Ancillary Agreement: (i) all matters relating to Taxes and Tax Returns of the Parties and their respective Subsidiaries shall be governed exclusively by the Tax Matters Agreement; and (ii) for the avoidance of doubt, in the event of any conflict between this Agreement or any Ancillary Agreement, on the one hand, and the Tax Matters Agreement, on the other hand, with respect to such matters, the terms and conditions of the Tax Matters Agreement shall govern.

10.2 Ancillary Agreements

Except as expressly set forth herein, this Agreement is not intended to address, and should not be interpreted to address, the matters specifically and expressly covered by the Ancillary Agreements and in the case of any express conflict between this Agreement and any Ancillary Agreement, the terms of such Ancillary Agreement shall prevail.

10.3 Counterparts

This Agreement may be executed in more than one counterpart, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the Parties and delivered to each of the Parties.

10.4 Survival of Agreements

Except as otherwise contemplated by this Agreement or any Ancillary Agreement, all covenants and agreements of the Parties contained in this Agreement and each Ancillary Agreement shall survive the Effective Time and remain in full force and effect in accordance with their applicable terms.

10.5 Expenses

Except as otherwise provided (i) in this Agreement (including this Section 10.5), the Merger Agreement or any other Transaction Agreement (as defined in the Merger Agreement), or unless otherwise mutually agreed to by Delta, Vector, and Kodiak in writing, all Transaction Expenses shall be paid by the Party incurring such fees or expenses. For the avoidance of doubt, except as expressly set forth in this Agreement or any Ancillary Agreements, each Party shall be responsible for its own internal fees (and reimburse any other Party to the extent such Party has paid such costs and expenses on behalf of the responsible Party), costs and expenses (e.g., salaries of personnel working in its respective Business) incurred following the Distribution Date, including any costs and expenses relating to such Party's (or any member of its Group's) documents filed with the Commission filed following the Distribution Date (including, printing, mailing and filing fees) or any costs and expenses incurred following the Distribution Date with the continued listing of such Party's common stock on the NYSE following the Distribution.

10.6 Notices

All notices, requests, claims, demands and other communications under this Agreement and, to the extent applicable and unless otherwise provided therein, under each of the Ancillary Agreements shall be in English, shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service or by registered or certified mail (postage prepaid, return receipt requested) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 10.6):

To Delta:

[•]

To Ultra:

[•]

10.7 Consents

Any consent required or permitted to be given by a Party to the other Parties under this Agreement shall be in writing and signed by the Party giving such consent and shall be effective only against such Party (and its Group).

10.8 Assignment

This Agreement shall not be assignable, in whole or in part, directly or indirectly, by any party hereto without the prior written consent of the other Party (not to be unreasonably withheld or delayed), and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be void. Notwithstanding the foregoing, this Agreement shall be assignable in whole in connection with a merger or consolidation or the sale of all or substantially all the assets of a party hereto so long as the resulting, surviving or transferee entity assumes all the obligations of the relevant party hereto by operation of law or pursuant to an agreement in form and substance reasonably satisfactory to the other parties to this Agreement. No assignment permitted by this Section 10.8 shall release the assigning Party from liability for the full performance of its obligations under this Agreement.

10.9 Successors and Assigns

The provisions of this Agreement and the obligations and rights hereunder shall be binding upon, inure to the benefit of and be enforceable by (and against) the Parties and their respective successors and permitted transferees and assigns.

10.10 Termination and Amendment

This Agreement (including Section 6 hereof) may be terminated, modified or amended and the Distribution may be amended, modified or abandoned at any time prior to the Effective Time by and in the sole discretion of Delta without the approval of Ultra or the stockholders of Delta. In the event of such termination, no Party shall have any liability of any kind to the other Party or any other Person. After the Effective Time, this Agreement may not be terminated, modified or amended except by an agreement in writing signed by Delta and Ultra.

10.11 Payment Terms

- (a) Except as expressly provided to the contrary in this Agreement or in any Ancillary Agreement, any amount to be paid or reimbursed by a Party (and/or a member of such Party's Group), on the one hand, to the other Party (and/or a member of such Party's Group), on the other hand, under this Agreement shall be paid or reimbursed hereunder within sixty (60) days after presentation of an invoice or a written demand therefor and setting forth, or accompanied by, reasonable documentation or other reasonable explanation supporting such amount.
- (b) Except as expressly provided to the contrary in this Agreement or in any Ancillary Agreement, any amount not paid when due pursuant to this Agreement (and any amount billed or otherwise invoiced or demanded and properly payable that is not paid within sixty (60) days of such bill, invoice or other demand) shall bear interest at a rate per annum equal to LIBOR, from time to time in effect, calculated for the actual number of days elapsed, accrued from the date on which such payment was due up to the date of the actual receipt of payment.
- (c) Except as expressly provided to the contrary in this Agreement or in any Ancillary Agreement, a Party (or any member of a Party's Group) may direct that any payment owed such Party (or member of such Party's Group) hereunder or under any Ancillary Agreement be paid directly to another member of the same Group.

10.12 Subsidiaries

Each of the Parties shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any Subsidiary of such Party or by any entity that becomes a Subsidiary of such Party at and after the Effective Time, to the extent such Subsidiary remains a Subsidiary of the applicable Party.

10.13 Third Party Beneficiaries

Except (i) as provided in Section 6 relating to Indemnitees and for the release under Section 6.1 of any Person provided therein, (ii) as provided in Section 9.6 relating to the directors, officers, employees, fiduciaries or agents provided therein and (iii) as specifically provided in any Ancillary Agreement, this Agreement is solely for the benefit of the Parties and should not be deemed to confer upon third parties any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

10.14 Title and Headings

Titles and headings to sections herein are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

10.15 Exhibits and Schedules

- (a) The Exhibits and Schedules shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein. Nothing in the Exhibits or Schedules constitutes an admission of any liability or obligation of any member of the Delta Group or the Ultra Group or any of their respective Affiliates to any third party, nor, with respect to any third party, an admission against the interests of any member of the Delta Group or the Ultra Group or any of their respective Affiliates. The inclusion of any item or liability or category of item or liability on any Exhibit or Schedule is made solely for purposes of allocating potential liabilities between the Parties and shall not be deemed as or construed to be an admission that any such liability exists.
- (b) The Parties shall use commercially reasonable efforts to complete the Exhibits, Schedules and any exhibits or schedules to the Ancillary Agreements as soon as practicable following the date hereof.

10.16 Governing Law

This Agreement (and any claims or disputes arising out of or related thereto or to the transactions contemplated thereby or to the inducement of any Party to enter therein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall in all respects be governed by and construed in accordance with the Laws of the State of New York, including all matters of construction, validity and performance, in each case without reference to any choice-of-law or conflict of law principles that might lead to the application of the laws of any other jurisdiction.

10.17 Consent to Jurisdiction

Subject to the provisions of Section 8 hereof, each of the Parties irrevocably submits to the exclusive jurisdiction of (a) the Fairfax County Circuit Court and any appeals courts thereof or (b) the United States District Court for the Eastern District of Virginia and any appeals courts thereof (the courts referred to in clauses (a) and (b), the “**Virginia Courts**”), for the purposes of any suit, action or other proceeding, including to compel arbitration or for provisional relief in aid of arbitration in accordance with Section 8 or to prevent irreparable harm, and to the nonexclusive jurisdiction of the Virginia Courts for the enforcement of any award issued thereunder. Each of the Parties further agrees that service of any process, summons, notice or document by U.S. registered mail to such Party’s respective address set forth above shall be effective service of process for any action, suit or proceeding in the Virginia Courts with respect to any matters to which it has submitted to jurisdiction in this Section 10.17. Each of the Parties irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in the Virginia Courts, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

10.18 Waiver of Jury Trial

EACH OF THE PARTIES HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.18.

10.19 Severability

In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The Parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

10.20 Force Majeure

No Party (or any Person acting on its behalf) shall have any liability or responsibility for failure to fulfill any obligation (other than a payment obligation) under this Agreement or, unless otherwise expressly provided therein, any Ancillary Agreement, so long as and to the extent to which the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event: (a) notify the other applicable Parties of the nature and extent of any such Force Majeure condition and (b) use due diligence to remove any such causes and resume performance under this Agreement as soon as feasible.

10.21 Interpretation

The Parties have participated jointly in the negotiation and drafting of this Agreement. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting or causing any instrument to be drafted.

10.22 No Duplication; No Double Recovery

Nothing in this Agreement is intended to confer to or impose upon any Party a duplicative right, entitlement, obligation or recovery with respect to any matter arising out of the same facts and circumstances.

10.23 Tax Treatment of Payments

Unless otherwise required by a Final Determination, this Agreement or the Tax Matters Agreement or otherwise agreed to between the Parties, for U.S. federal Tax purposes, any payment made pursuant to this Agreement (other than any payment of interest pursuant to Section 10.11) by: (a) Ultra to Delta shall be treated for all Tax purposes as a distribution by Ultra to Delta with respect to stock of Ultra occurring after Ultra is directly owned by Delta and immediately before the applicable Distribution; or (b) Delta to Ultra shall be treated for all Tax purposes as a tax-free contribution by Delta to Ultra with respect to its stock occurring after Ultra is directly owned by Delta and immediately before the Distribution; and in each case, no Party shall take any position inconsistent with such treatment. In the event that a Taxing Authority (as defined in the Tax Matters Agreement) asserts that a Party's treatment of a payment pursuant to this Agreement should be other than as required pursuant to this Agreement (ignoring any potential inconsistent or adverse Final Determination), such Party shall use its commercially reasonable efforts to contest such challenge.

10.24 No Waiver

No failure to exercise and no delay in exercising, on the part of any Party, any right, remedy, power or privilege hereunder or under the other Ancillary Agreements shall operate as a waiver hereof or thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

10.25 No Admission of Liability

The allocation of Assets and Liabilities herein (including on the Schedules hereto) is solely for the purpose of allocating such Assets and Liabilities between Delta and Ultra and is not intended as an admission of liability or responsibility for any alleged Liabilities vis-à-vis any third party, including with respect to the Liabilities of any non-wholly owned subsidiary of Delta or Ultra.

[Signature Page Follows]

SIGNATORY

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

DXC TECHNOLOGY COMPANY

By: _____
Name:
Title:

PERSPECTA INC.

By: _____
Name:
Title:

Signature Page to Separation and Distribution Agreement

TRANSITION SERVICES AGREEMENT

DATED AS OF [●]

by and between

DXC TECHNOLOGY COMPANY

and

PERSPECTA INC.

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This **TRANSITION SERVICES AGREEMENT** (this “**Agreement**”) is dated as of [●], by and between [Delta], a Nevada corporation (“**Delta**”) and [Ultra], a Nevada corporation (“**Ultra**”). Delta and Ultra are also referred to in this Agreement individually as a “**Party**” and collectively as the “**Parties**.” Capitalized terms used herein and not otherwise defined herein have the meanings given to such terms in the Separation and Distribution Agreement dated as of [●], by and between Delta and Ultra (as such may be amended from time to time, the “**Separation and Distribution Agreement**”).

WHEREAS:

- (A) Delta, acting directly and through its direct and indirect Subsidiaries, currently conducts the Delta Business and the Ultra Business;
- (B) Delta and Ultra have entered into the Separation and Distribution Agreement in connection with the separation of the Ultra Business from Delta and the Distribution of Ultra Common Stock to stockholders of Delta; and
- (C) in connection therewith, the Parties desire to enter into this Agreement.

NOW, THEREFORE, in consideration of and subject to the premises and the mutual agreements, terms and conditions herein contained, the benefits to be derived therefrom and other good and valuable consideration, the receipt and the sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. SERVICES PROVIDED

- 1.1 During the period commencing on the Distribution Date and ending on the applicable Termination Date (as defined in Section 11), Service Provider shall provide, or shall cause one or more of its Affiliates or a contractor, subcontractor, vendor or other third-party service provider (each, a “**Third Party Provider**”) to provide, upon the terms and subject to the conditions set forth herein, the services (the “**Services**”) described on Schedule A (Services Provided by Delta to Ultra) or Schedule B (Services Provided by Ultra to Delta) (collectively, the “**Services Schedules**,” which shall be prepared substantially in the form of Schedule D).
- 1.2 With respect to each Service, the Party required to provide such Service is the “**Service Provider**” and the other Party is the “**Service Recipient**.” In performing the Services, Service Provider and each of its Affiliates shall provide, or ensure that any Third Party Provider shall provide, the Services consistent with the “**Performance Standards**,” which shall mean performance of the Services (i) in substantially the same manner and at substantially the same level of service (including, as applicable, with respect to type, frequency, quality, quantity, priority and timeliness) as compared with the six-month period prior to the Distribution Date, except as may be set forth in individual Service Schedules, and/or (ii) with substantially the same degree of skill and care, in each case, as provided and used by the Service Provider during the six-month period prior to the Distribution Date.
 - (a) Notwithstanding the foregoing, if external circumstances reasonably justify a material change in the nature or delivery of a Service (whether as a result of increased quantity or quality, changing frequency or regulatory requirements or otherwise), Service Recipient acknowledges and agrees that such Service may not be provided consistent with the Performance Standards and, in such a case, Service Provider and each of its Affiliates shall use commercially reasonable efforts to provide, or to ensure that any Third Party Provider shall provide, such Service in a timely and professional manner.

- (b) Notwithstanding anything herein to the contrary, the Services are to be provided in a manner that treats Service Recipient (or its Subsidiaries or its or their personnel or business) substantially as favorably as Service Provider treats itself (or its Affiliates or its or their personnel or business) in connection with the provision of a Self-Service (as defined in Section 2.4), to the extent the Parties are similarly situated with respect to applicable requirements or restrictions.
- 1.3 If Service Provider wishes to provide a Service by using a Third Party Provider and if such Services were not provided by such Third Party Provider to Service Recipient during the six-month period prior to the Distribution Date, Service Provider shall obtain the consent of Service Recipient (such consent shall not be unreasonably withheld, delayed or conditioned) prior to such Third Party Provider so providing such Service; provided further that in any case, Service Provider shall remain responsible for the performance by any Third Party Provider of its obligations hereunder.
- 1.4 Increased Services.
- (a) Service Recipient may request additional quantities or amounts (e.g., number of Service Recipient personnel, number of transactions per month) of Services beyond the quantities or amounts specified in the applicable Services Schedule (“**Increased Services**”) from Service Provider by providing written notice. Service Provider shall use commercially reasonable efforts to accommodate such request; it being understood, however, that Service Provider shall not be required to provide Increased Services if the Parties are unable to reach agreement on the terms thereof. Upon the mutual written agreement as to the nature, cost (including cost of additional equipment as stated in (b) below), duration and scope of such Increased Services, the Parties shall supplement in writing the Services Schedules hereto to include such Increased Services. Service Provider’s obligations with respect to providing any such Increased Services shall become effective only upon a new Services Schedule or an amendment to an existing Services Schedule being duly executed by the Parties.
- (b) Unless otherwise agreed by the Parties, if an Increased Service requires Service Provider to purchase any machinery, equipment, apparatuses, computer hardware and other electronic data processing and communications equipment, tools, instruments, furniture, office equipment, automobiles, trucks, and other transportation equipment, special and general tools, test devices, molds, tooling, dies, prototypes and models and other tangible personal property (collectively, “**Equipment**”), Service Recipient shall bear the costs of such Equipment, which Service Provider will provide at cost. Upon the termination of the applicable Service, such Equipment shall be assigned and transferred to Service Recipient.

2. PAYMENT

- 2.1 Except as otherwise provided on the applicable Services Schedule, for each Service, Service Recipient shall pay Service Provider an amount equal to the Service Costs (as defined below) for all Services being provided to Service Recipient.
- 2.2 The “**Service Costs**” for each Service shall be the total of (a) the cost set forth on the applicable Services Schedule, which are intended to reflect the Historic Cost Allocation multiplied by the applicable Service markup for the period during which such Service is provided as set forth on the Service Schedules, and (b) all Service Expenses related to such Service. “**Historic Cost Allocation**” shall mean the allocation of costs associated with such Service reflected in the financial presentation of the Ultra Business set forth in the Ultra Financial Statements. “**Service Expenses**” shall mean, to the extent not already included in the Historic Cost Allocation for a Service, any of the following (but only to the extent allocable to the provision of the Services):

- (a) any reasonable out-of-pocket expenses incurred by Service Provider with Third Party Providers in connection with the provision of Services, without markup or fee, including to the extent applicable to the Services, one-time set-up costs, license fees, costs to enter into or amounts paid third party agreements, costs to exit third party agreements, termination fees, and other costs incurred in connection with Third Party Providers providing Services in compliance with this Agreement (other than costs related to licenses and consents covered by Section 3.4);
 - (b) the ongoing cost of licenses for software or other intellectual property (a “**Third Party License**”), without markup or fee (other than costs related to licenses and consents covered by Section 3.4);
 - (c) any sales, transfer, goods, services, value added, gross receipts or similar taxes, fees, charges or assessments (including any such taxes that are required to be withheld) arising out of such Service and incurred by Service Provider; provided that the Parties agree to use commercially reasonable efforts to minimize any such taxes, fees or assessments and Service Recipient shall not be obligated to pay any income or franchise taxes imposed on the Service Provider; and
 - (d) the cost of travel expenses that are reasonable and incurred in accordance with Service Provider’s normal travel policy and other reasonable miscellaneous out-of-pocket costs and expenses incurred by Service Provider.
- 2.3 Except as otherwise provided on the applicable Services Schedule or required by applicable Law, all amounts shall be invoiced and paid in U.S. Dollars. To the extent necessary, local currency conversion on any such invoice shall be based on Service Provider’s internal exchange rate for the then-current month, based upon the average for such month, as calculated consistently with how such local currency conversion was calculated in the twelve-month period prior to the Distribution Date.
- 2.4 With respect to any service that a Service Provider provides or causes an Affiliate to provide to itself or its Affiliates that is the same or substantially similar to a Service provided to Service Recipient or its Subsidiaries hereunder (such service, a “**Self-Service**”), Service Provider reserves the right to expand, modify, or upgrade the level of Services or the manner in which it provides the Services to conform to modifications in the manner in which Service Provider, or its Affiliates, generally provide a Self-Service, so long as (a) as such modifications would not result in Service Recipient generally being treated any less favorably than Service Provider or its Affiliates receiving a Self-Service, and (b) Service Provider notifies Service Recipient of such modification as promptly as practicable and no later than ninety (90) days prior to the date it intends to stop providing the Self-Service. To the extent such changes affect a Service: (i) Service Provider shall have no obligation to continue to supply such Service using its former technology, and (ii) Service Recipient shall have no obligation to continue to receive such Service, and shall have the right to terminate the affected Service upon the implementation of such changes, provided that Service Recipient notifies Service Provider in writing of its election to discontinue such Service within ten (10) days of Service Provider’s notification of such changes. To the extent Service Recipient wishes to continue to receive such Service, Service Recipient shall be obligated to modify its systems as necessary to conform to Service Provider’s upgraded technology. Further, if Service Provider terminates a Self-Service prior to the Termination Date applicable for the corresponding Service, the Service Costs of such Service following any such termination shall be calculated as if Service Provider had not terminated such Self-Service.

2.5 Invoices and Payment.

- (a) Except as provided on the applicable Services Schedule, Service Provider shall invoice Service Recipient for the Service Costs owed hereunder on a monthly basis, included on a combined single invoice, and shall provide reasonable documentation supporting such Service Costs. Service Recipient shall pay the amount of such invoice by electronic transfer of immediately available funds not later than thirty (30) days after the date of such invoice.
- (b) Neither Party nor any of its respective Affiliates shall have a right of set-off against the other Party or its Subsidiaries, except in connection with any amounts billed hereunder.
- (c) In the event Service Recipient does not pay Service Provider in accordance with the terms hereof (a) all amounts so payable and past due shall accrue interest from the thirty-first (31st) day after the date of the invoice to the receipt of payment at a rate per annum equal to the six (6)-month LIBOR rate (as shown on the Reuters Screen LIBOR 01 Page (or on any successor or substitute of such page) at approximately 11:00 a.m. on the thirty-first (31st) day after the date of the invoice, or the next Business Day, if such day is not a Business Day) plus 3% (the “**Interest Rate**,” with the applicable rate to be recalculated every six (6) months), until such amounts, together with all accrued and unpaid interest thereon, are paid in full, and (b) Service Recipient shall pay, as additional fees, all reasonable out-of-pocket costs and expenses incurred by Service Provider in attempting to collect and collecting amounts so due, including all reasonable attorneys’ fees and expenses.
- (d) In the event that Service Recipient in good faith disputes an invoice submitted by Service Provider, Service Recipient may withhold payment of any amount subject to the dispute; provided that (a) Service Recipient shall continue to pay all undisputed amounts in accordance with the terms hereof, (b) Service Recipient shall notify Service Provider, in writing, of any disputed amounts and the reason for any dispute by the due date for payment of the invoice containing any disputed charges, and (c) in the event any dispute is resolved in Service Provider’s favor, any amount that Service Recipient should have paid shall be deemed to have accrued interest at the Interest Rate from the date such payment should have been made.
- (e) In the event of a dispute regarding the amount of any invoice, the Parties shall use commercially reasonable efforts to resolve such dispute within forty-five (45) days after Service Recipient provides written notification of such dispute to Service Provider. Each Party shall provide full supporting documentation concerning any disputed amount or invoice within thirty (30) days after written notification of the dispute. Unpaid fees that are under good faith dispute shall not be considered a basis for default hereunder. To the extent that a dispute regarding the amount of any invoice cannot be resolved pursuant to this Section 2.5(e), the dispute resolution procedures set forth in Section 9 herein shall apply.

3. COOPERATION

- 3.1 Service Recipient and Service Provider shall cooperate and work together in good faith to develop a global transition plan in order to facilitate a smooth and orderly termination of a Service by its applicable Termination Date or at such earlier time as Service Recipient terminates Service Provider’s performance of the Services in accordance with Section 11.

- 3.2 In furtherance of the foregoing, Service Provider, if requested and at Service Recipient's expense, will provide Service Recipient with reasonable support necessary to transition or migrate the services to Service Recipient or any third party or parties chosen by Service Recipient, which may include, but not be limited to, consulting and training and providing reasonable access to data and other information and to Service Provider's and its Affiliates' employees; provided that such activities shall not unduly burden or interfere with Service Provider's business and operations.
- 3.3 It is understood that it will require significant efforts by the Parties to implement this Agreement and ensure performance hereunder. Service Recipient shall (i) cooperate with and provide Service Provider with such information and documentation as is reasonably necessary for Service Provider to perform the Services, and (ii) perform such other duties and tasks as may be reasonably required to permit Service Provider to perform the Services, including (A) cooperating in obtaining any consents or approvals from third parties necessary to facilitate Service Provider's ability to provide the Services and (B) conducting such testing as may be reasonably required by Service Provider in connection with any updates or changes to the applicable systems or processes involved in providing a Service; provided that Service Provider has given Service Recipient such prior written notice as set forth in the applicable Services Schedules or, if not contemplated therein, a reasonable time before conducting such testing, taking into account the type and scope of such testing. A Service Provider shall not be deemed to be in breach of its obligations to provide or make available any Service to the extent that Service Recipient has not provided information and access to appropriate personnel that is reasonably necessary for the performance of such Service.
- 3.4 Service Provider shall use commercially reasonable efforts to obtain, if required, any Third Party License or consent required by any Third Party Provider to provide the applicable Service to Service Recipient, and Service Recipient shall, as necessary, cooperate with Service Provider in obtaining any such Third Party License or consent. If such Third Party License or consent cannot be obtained on commercially reasonable terms, the Parties will use commercially reasonable efforts to arrange for an alternative method of obtaining any such Service on Service Recipient's behalf ("**Alternative Method**"), which may include Service Provider providing such Service itself. All costs and expenses related to obtaining such licenses and consents shall be paid by Delta.
- 3.5 The Parties shall use the fiscal quarter and year ends as set forth in the applicable Service Schedule in connection with the provision and receipt of applicable Services hereunder, for so long as such Services are being provided.

4. PERFORMANCE STANDARDS; REPORTS; PERSONNEL

- 4.1 Services shall be provided in accordance with the Performance Standards and applicable Law. To the extent any Law applicable to the performance of a Service is different than to that of a Self-Service, Service Provider shall use commercially reasonable efforts to perform such Service in accordance with the Performance Standards provided that any costs required to so perform shall be borne by Service Recipient and any failure by Service Provider to meet the Performance Standards shall not be a breach of this Agreement.
- 4.2 It will not be deemed to be a breach of this Agreement if Service Provider fails to meet the Performance Standards because of (i) the failure of Service Recipient to reasonably cooperate with or provide information, facilities, equipment, hardware or software, services or decisions to Service Provider as required hereunder, (ii) changes reasonably deemed to be required by changes in Law, technology or the availability of reasonably commercially available products and services, (iii) changes otherwise permitted hereunder, (iv) changes to the relevant systems, processes or personnel of Service Recipient, to the extent Service Provider's failure to meet the Performance Standards is the direct result of such changes, or (v) Force Majeure as further provided in Section 8.

- 4.3 Service Provider shall not make changes in the manner of providing a Service unless (i) Service Provider is making similar changes in a Self-Service being performed for itself or its Subsidiaries or such changes are *de minimis*, in each case so long as such changes do not prevent Service Provider from meeting the Performance Standards, (ii) such changes are required by Service Provider or Service Recipient pursuant to applicable Law, (iii) otherwise permitted hereunder, or (iv) Service Recipient provides its prior written consent (which shall not be unreasonably withheld, conditioned or delayed) to such changes (in each case, for the avoidance of doubt, with the costs of any such change to be included in the calculation of Service Costs).
- 4.4 Service Provider shall not be required to provide any Service that would constitute a breach of applicable Law, including any applicable U.S. and non-U.S. Laws and regulations relating to the protection of classified and critical unclassified information, export controls, sanctions, and imports, including those regulations maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control, the Export Administration Regulations maintained by the U.S. Department of Commerce, Bureau of Industry and Security, the Foreign Corrupt Practices Act and the International Traffic in Arms Regulations maintained by the U.S. Department of State, Directorate of Defense Trade Controls.
- 4.5 Except as provided in the applicable Services Schedule for a Service, in providing, or causing to be provided, the Services, Service Provider shall only provide employees or agents of Service Recipient with access to systems or software to the extent that such employees or agents of Service Recipient or its Subsidiaries had authorized access immediately prior to the Distribution Date or, subject to Service Provider's discretion, are replacement employees or agents of Service Recipient or its Subsidiaries, subject to the terms and conditions of Sections 6.4 and 6.5.
- 4.6 Unless otherwise set forth in the applicable Services Schedule and except as may be otherwise required (or prohibited) by applicable Law, in performing the Services, Service Provider shall, if requested to do so in writing by Service Recipient, prepare and furnish to Service Recipient reports concerning the Services, which reports shall contain substantially the same data, in substantially the same format, and prepared and delivered on substantially the same timetable, as reports prepared by Service Provider with respect to such Services during the six (6)-month period prior to the Distribution Date (excluding any reports solely prepared in contemplation of the Distribution). Upon Service Recipient's written request for modifications to the reporting and data transfer practices reasonably required to assist Service Recipient in transitioning off the Service, Service Provider shall cooperate and consult in good faith with Service Recipient to discuss such modifications and determine if applicable changes are commercially reasonable; provided that if Service Provider reasonably determines in its sole discretion that any such modification may cause Service Provider to incur additional costs or be in breach of its other obligations to Service Recipient, then Service Provider shall not be under any obligation to make such modifications.
- 4.7 Service Provider shall make available such personnel as may be required to provide the Services, including any specific personnel designated on the applicable Services Schedule. Except as otherwise provided in the applicable Services Schedule, Service Provider shall have the right to designate which personnel it will assign to perform the Services. Service Provider also shall have the right to remove and replace any such personnel at any time or designate any of its Affiliates or a Third Party Provider (subject to Section 1.3 herein) at any time to perform the Transition Services; provided that Service Provider shall use its commercially reasonable efforts consistent with past practice to limit the disruption to Service Recipient in the transition of the Services to different personnel; provided further that if a Services Schedule designates a certain person as a "key personnel", if such person is no longer in the employ of the Service Provider or its Affiliates or is otherwise not available to perform the Services,

then the portion of such Service performed by such person may be terminated by Service Recipient upon fifteen (15) days' prior written notice to Service Provider, even if prior to the end of the Minimum Service Period. Except as set forth in the Services Schedules, Service Provider shall have no obligation to retain any individual employee for the sole purpose of providing a particular Service. In the event Service Recipient requires that a Service be provided or facilitated by personnel who are U.S. citizens or lawful permanent resident aliens pursuant to applicable Law, Service Provider shall use commercially reasonable efforts to accommodate the request at no additional charge.

- 4.8 During the term of this Agreement and for a period of one (1) year thereafter, Service Recipient will not solicit, encourage, induce or attempt to induce or assist others to solicit, encourage, induce or attempt to induce any employees, consultants or independent contractors of Service Provider involved in providing the Services to terminate their employment or other engagement with Service Provider. Subject to the foregoing, in the event Service Recipient or any of its Affiliates hires an employee of Service Provider or its Affiliates, and such employee was material to providing Services to Service Recipient, Service Provider shall have the option, in its sole discretion (in addition to any other remedies available to it under the Separation and Distribution Agreement or otherwise), upon ten (10) Business Days' written notice to Service Recipient to suspend its obligations with respect to the Services performed by the hired employee (with a reduction in the applicable Service Costs associated with the hired employee) effective on the date of such employee's termination of employment with Service Provider. Any provision of Service following a reduction in Service Provider's obligations pursuant to this Section shall be deemed to be consistent with Service Provider's obligations under this Agreement, so long as Service Provider satisfies the Performance Standards and the obligations contained in this Section 4 with respect to such Service.
- 4.9 Each Party agrees that it shall be responsible for compliance by its personnel (including any Third Party Provider) performing or otherwise involved with Services with all of the terms and conditions of this Agreement.
- 4.10 Each Party shall notify the other Party in writing as promptly as practicable after becoming aware of any default or breach of this Agreement committed by either it or the other Party. Service Provider shall notify Service Recipient of any event that may reasonably be expected to materially impact a Service provided hereunder.
- 4.11 In the event Service Provider has received a written notice of default or breach in the performance of a Service hereunder (including as a result of material error(s) in the performance of such Service), it will use its commercially reasonable efforts to cure such default or breach. In the event Service Provider is unable to cure such breach or default within thirty (30) days from receipt of notice thereof, in addition to the rights available under Section 11, there shall be an adjustment to Service Costs to reflect the costs to Service Recipient associated with such default, breach or error, including any incremental reasonable out-of-pocket costs and expenses incurred by Service Recipient in retaining any Third Party Provider to provide such Service or in providing such Service itself during the minimum period required to be provided by Service Provider.

5. NEW SERVICES

If, after the date hereof and on or prior to the ninetieth (90th) day following the Distribution Date, the Parties mutually determine that a service required by Service Recipient and provided by Service Provider or one of its Subsidiaries prior to the Distribution Date was omitted from the Services Schedules, Service Recipient may request that Service Provider perform such service ("**New Service**") in addition to the Services being provided hereunder. Service Provider shall promptly begin performing

any New Service consistent with past practice upon a timely written request from Service Recipient (which request may be in the form of email) that includes (a) a description of the New Service, and (b) a schedule for commencing and completing such New Service. Thereafter, Service Provider and Service Recipient shall enter into good faith negotiations to agree to an amendment to the Services Schedules providing for such New Service; provided that if no agreement for an Additional Service Schedule Amendment has been reached in writing in thirty (30) days, such New Service shall be deemed to have a Termination Date of one year from the Distribution Date, with Service Costs as provided for in Section 2.1, calculated as if the amendment to the Services Schedule for such New Service were silent regarding costs and expenses (such amendment or deemed amendment pursuant to the foregoing proviso, an “**Additional Service Schedule Amendment**”). Any New Service shall be considered a Service hereunder and the Services Schedules shall incorporate, and be deemed to be duly amended by, such Additional Service Schedule Amendment.

6. INTELLECTUAL PROPERTY; IT SECURITY

- 6.1 Service Recipient agrees to comply with, and to cause its Subsidiaries to comply with, the terms of any license or other agreement of Service Provider or any of its Affiliates relating to software or other Intellectual Property that is provided to Service Recipient and is used in connection with the provision of any Services hereunder. In the event that Service Recipient provides written notice of its inability to comply therewith, Service Provider may in its sole discretion suspend its provision of any Services under such licenses or other agreements effective after thirty (30) days’ notice of the same. While such Service is suspended, Service Provider shall use commercially reasonable efforts to identify alternative software or Intellectual Property with accompanying licenses or other agreements acceptable to Service Recipient. Upon entering into new software licenses or other agreements, Service Provider shall resume or commence providing Service. Service Recipient shall indemnify Service Provider for any claims by third parties arising out of or in connection with Service Recipient’s noncompliance with or violation of licenses or other agreements relating to software or Intellectual Property that is provided to Service Recipient and is used in connection with the provision of any Services hereunder; provided that Service Recipient will not be obligated to indemnify Service Provider for any claims related to periods after the date that Service Provider receives such notice. Subject to the foregoing, the Parties shall cooperate to identify any material licenses or consents necessary for such provision and shall use commercially reasonable efforts to minimize the costs associated therewith.
- 6.2 If the receipt or provision of any Service hereunder requires the use by a Party of the Intellectual Property (other than Trademarks) of the other Party, then such Party and its Affiliates shall have the non-exclusive, royalty-free, non-sublicensable (except as required for its and its Affiliates’ receipt or provision of Services) right and license to use such Intellectual Property for the sole purpose of, and only to the extent necessary for, the receipt or provision of such Services hereunder, pursuant to the terms and conditions of this Agreement. This license does not permit a Party to access, possess, or modify the source code of the other Party or to reverse engineer the software of the other Party. Upon the Termination Date applicable to such Service, or the earlier termination of any Services in accordance with Section 11, the license herein to the applicable Intellectual Property will terminate; and the applicable Service Recipient and/or Service Provider shall cease all use of the Intellectual Property licensed hereunder. Nothing in this Section 6.2 shall be deemed to limit, modify or terminate any License Agreement between the Parties.
- 6.3 Subject to the limited licenses granted in Section 6.2, and unless the Parties expressly agree otherwise in the Services Schedules or in a separate written agreement executed by authorized personnel of each Party, each Party shall exclusively own any Intellectual Property that it creates, develops or invents in connection with the provision of any Services hereunder.

- 6.4 While using or accessing any computers, systems, software, networks, information technology or related infrastructure or equipment (including any data stored thereon or transmitted thereby) (“**Systems**”) of the other Party (whether or not a Service), each Party shall and shall cause each of its Affiliates to comply with all applicable Laws and adhere in all respects to the other Party’s controlled processes, policies and procedures (including any of the foregoing with respect to Confidential Information, data, communications and system privacy, operation, security and proper use) as in effect on the Distribution Date or as communicated to such Party from time to time in writing.
- 6.5 Those employees of Service Recipient and Service Provider (or their respective Affiliates) having access to the other Party’s Systems may be required by Service Provider or Service Recipient, as the case may be, to enter into a customary non-disclosure or similar agreement in connection with, and as a condition to, such access.

7. RECORDS AND AUDITS

Service Provider shall provide to Service Recipient, upon Service Recipient’s request, taking into consideration the financial reporting, internal controls and other public company requirements of the Parties, all information and records reasonably required to maintain full and accurate books relating to the provision of Services to the extent any such information and/or records were provided or maintained during the twelve (12)-month period prior to the Distribution Date. Upon reasonable notice and reasonable request from the Service Recipient, and at the Service Recipient’s cost, Service Provider shall (a) make available for inspection and copying by Service Recipient’s agents or representatives such information, books and records reasonably relating to the Services during reasonable business hours and (b) certify that the controls in effect prior to the Distribution Date continue to be in effect, or if Service Provider is aware of any instances where such controls are not so in effect, in lieu of certification for such instances, provide a list of such instances and descriptions of the change in such controls thereof. Each Party shall keep and preserve all such aforementioned records for a period of at least eight (8) years from and after the end of the relevant Services term.

8. FORCE MAJEURE; REDUCTION OF SERVICES

No Party (or any Person acting on its behalf) shall have any liability or responsibility for failure to fulfill any obligation (other than a payment obligation) under this Agreement so long as and to the extent to which the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event, (a) notify the other Party of the nature and extent of any such Force Majeure condition and (b) use commercially reasonable efforts to remove any such causes and resume performance under this Agreement as soon as feasible. Service Recipient shall be entitled to terminate Services so affected by a Force Majeure that continues for a period of thirty (30) days or more upon five (5) days’ prior written notice in respect of any such delay or failure resulting from any such Force Majeure, without any penalty or obligation to pay for Services not performed; provided that Service Provider is in compliance with its obligations under clauses (a) and (b) above.

9. TSA LEADERS; DISPUTE RESOLUTION

- 9.1 Each Party shall nominate in writing one representative to act as the primary contact with respect to the provision and receipt of Services (a “**TSA Leader**”), with the initial TSA Leaders as listed on Schedule C. Each Party may, at its discretion, from time to time select another individual to serve in these capacities during the term of this Agreement; provided that each Party shall notify the other Party promptly (and in any event within five (5) Business Days) of any change in an individual serving in this capacity, setting forth the name and contact information of the replacement, and stating that such replacement is authorized to act for such Party in accordance with this Section 9.1.

- 9.2 The TSA Leaders shall meet as expeditiously as possible to resolve any dispute hereunder, and notwithstanding anything in Section 9 (*Dispute Resolution*) of the Separation and Distribution Agreement to the contrary, in the event any dispute is not so resolved within thirty (30) days, a TSA Leader may provide written notice of such dispute to the General Counsel of each Party (or such other executive as designated by the General Counsel of such Party), who shall attempt within a period of fifteen (15) days following the end of such previous thirty (30)-day period to conclusively resolve any such issue, and in the event the dispute remains unresolved following such fifteen (15)-day period, the dispute may be submitted to mediation in accordance with Section 9.2 (*Mediation*) of the Separation and Distribution Agreement, and if any dispute remains unresolved after the Mediation Period, such dispute shall be determined, at the request of either Party, by arbitration in accordance with Section 9.3 (*Arbitration*) of the Separation and Distribution Agreement and the other applicable provisions of Section 9 (*Dispute Resolution*) of the Separation and Distribution Agreement. Nothing in this Section 9 or any provision of the Separation and Distribution Agreement shall be construed to prevent a Party from applying to any court of competent jurisdiction for interim measures or other provisional relief in connection with the subject matter of any disputes.
- 9.3 In the event of any dispute between the Parties regarding a Service, prior to the applicable Termination Date, Service Provider shall not discontinue the supply of any such Service, unless (i) so provided for in a settlement agreement between the Parties or arbitral determination pursuant to and in accordance with Section 9.2 herein and Section 9 of the Separation and Distribution Agreement, (ii) Service Recipient has failed to pay to Service Provider undisputed amounts for a Service in accordance with the terms hereof, in which case Service Provider may terminate such Service as provided in accordance with Section 11.4, or (iii) as requested by Service Recipient pursuant to a Termination Notice.

10. DISCLAIMER; INDEMNIFICATION; LIMITED LIABILITY

- 10.1 Service Recipient acknowledges that the Services being provided pursuant to this Agreement are provided as an accommodation to Service Recipient. Other than in the event of Service Provider's gross negligence or willful misconduct or a violation of applicable Law, Service Provider will not be liable for any error or omission in rendering Services under this Agreement, or for any defect in Services so rendered; provided that if there is a material error in, or failure to provide, any of the Services, Service Provider shall use commercially reasonable efforts to attempt to correct the error and/or provide the Service, or if Service Provider is unable to so correct such error and/or provide the Service, to provide an adjustment to the Service Costs for such Service in reasonable proportion to that which the error and/or failure bears to the Service provided for such month, which adjustment shall include any reasonable out-of-pocket costs and expenses incurred by Service Recipient in retaining a Third Party Provider to provide such Service or in providing such Service itself.
- 10.2 Service Provider shall indemnify Service Recipient and its Affiliates and its and their respective officers, directors, employees, partners, managers or persons acting in a similar capacity, agents, consultants, financial and other advisors, accountants, attorneys and other representatives (the "**Service Recipient Indemnitees**") in respect of, and hold such Service Recipient Indemnitees harmless from and against, any and all Losses incurred or suffered by Service Recipient Indemnitees in connection with the receipt of the Services to the extent that such Losses result from the gross negligence or willful misconduct of, Service Provider, any of its Affiliates or any of its or their respective officers, directors or employees. Service Recipient shall indemnify Service Provider and its Affiliates and its and their respective officers, directors, employees, partners, managers or persons acting in a similar capacity, agents, consultants,

financial and other advisors, accountants, attorneys and other representatives (the “**Service Provider Indemnitees**”) in respect of, and hold Service Provider Indemnitees harmless from and against, any and all Losses incurred or suffered by Service Provider Indemnitees in connection with the provision of the Services to the extent that such Losses result from the gross negligence or willful misconduct of, Service Recipient, any of its Affiliates or any of its or their respective officers, directors or employees.

- 10.3 Service Provider shall have no responsibility to maintain insurance to cover any loss or damage to goods or equipment to which Service Recipient has title that are in the possession or control of Service Provider, its Affiliates or a Third Party Provider as a result of this Agreement and the risk of loss with respect to such goods or equipment shall be solely with Service Recipient. Service Recipient shall obtain from its insurance company a waiver of subrogation on behalf of Service Provider and its Subsidiaries effective as of Distribution Date. Service Recipient shall have no responsibility to maintain insurance to cover any loss or damage to goods or equipment to which Service Provider has title that are in the possession or control of Service Recipient or its Subsidiaries as a result of this Agreement and the risk of loss with respect to such goods or equipment shall be solely with Service Provider. Service Provider shall obtain from its insurance company a waiver of subrogation on behalf of Service Recipient and its Subsidiaries effective as of the Distribution Date.
- 10.4 EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESSED OR IMPLIED (INCLUDING WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY, ACCURACY, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO ANY REPRESENTATION OR DESCRIPTION) ARE MADE BY SERVICE PROVIDER OR ANY OF ITS AFFILIATES WITH RESPECT TO THE PROVISION OF SERVICES UNDER THIS AGREEMENT AND, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ALL SUCH REPRESENTATIONS OR WARRANTIES NOT SET FORTH IN THIS AGREEMENT ARE HEREBY WAIVED AND DISCLAIMED. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, UNDER NO CIRCUMSTANCES, INCLUDING THE FAILURE OF THE ESSENTIAL PURPOSE OF ANY REMEDY, SHALL SERVICE PROVIDER BE LIABLE FOR, INCLUDING BUT NOT LIMITED TO, ANY LOST PROFITS, LOSS OF BUSINESS, INTERRUPTION OF BUSINESS, REMITTANCES, COLLECTIONS, INVOICES, PENALTIES, INTEREST OR FOR INDIRECT, SPECIAL, PUNITIVE, INCIDENTAL, CONSEQUENTIAL OR EXEMPLARY DAMAGES CAUSED BY THE PERFORMANCE OF, ANY DELAY IN THE PERFORMING, FAILURE TO PERFORM OR DEFECTS IN THE PERFORMANCE OF, THE SERVICES CONTEMPLATED TO BE PERFORMED BY SERVICE PROVIDER PURSUANT TO THIS AGREEMENT, REGARDLESS OF WHETHER A PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

11. TERM OF AGREEMENT AND SERVICE TERMINATION DATES

- 11.1 This Agreement (other than Sections 2 (until all Service Charges are paid in full by Service Recipient), 6.3, 7 (for eight (8) years) 9, 10, 11.1, 13, 19, 20, and 24) shall terminate upon the last of the Termination Dates in respect of all Services to be provided hereunder; provided that the rights of the Parties in respect of any claims that have accrued prior to such termination shall survive such termination.
- 11.2 For each Service, the “**Termination Date**” shall be the date specified for a Service on the applicable Services Schedule; provided that the Parties may mutually agree to extend any Service for a reasonable period and such Service may be terminated earlier as provided in this Agreement or in the applicable Services Schedule.

- 11.3 For each Service, the minimum service period (“**Minimum Service Period**”), if any, during which Service Recipient is obligated to receive such Service is set forth in each Service Schedule.
- (a) Service Recipient may terminate any Service on or after its Minimum Service Period and prior to its Termination Date by providing to Service Provider written notice of termination, which shall be deemed irrevocable upon delivery (a “**Termination Notice**”), by the date as set forth in the applicable Services Schedule, or if no such date is specified, not less than thirty (30) days before the date of such earlier termination or as otherwise may be mutually agreed to by the Parties; provided that if the Services Schedule indicates that any Service is dependent on one or more other Services, then each such Service must be terminated together; provided further that any termination may be on a location by location basis if so indicated on the Services Schedules. If no Minimum Service Period is provided in a particular Services Schedule, such Service may be terminated by Service Recipient at any time before its Termination Date as may be mutually agreed by the Parties. Notwithstanding anything herein to the contrary, unless the Parties otherwise agree, each Minimum Service Period shall be sixty (60) days.
- (b) Upon the receipt of a Termination Notice, if Service Provider is unable to transition the applicable Service to the Service Recipient or its designee in a commercially reasonable manner that does not unduly disrupt the Service on the requested termination date, Service Provider shall use commercially reasonable efforts consistent with past practice to transition such Service as soon as possible, and any resulting third party, out-of-pocket costs to Service Recipient shall be shared equally between Service Provider and Service Recipient.
- 11.4 In the event either Party breaches or defaults in the performance of a Service, and if such breach or default is not cured within thirty (30) days after written notice from the other Party specifying such breach or default as provided in Sections 4.10 and 10.1, then the Service Recipient may at any time thereafter terminate, at its option, any such Service that is the subject of such default by giving five (5) days’ prior written notice to Service Provider.

12. INDEPENDENT CONTRACTOR

The Parties hereto understand and agree that this Agreement does not make either of them an agent or legal representative of the other for any purpose whatsoever. No Party is granted, by this Agreement or otherwise, any right or authority to assume or create any obligation or responsibilities, express or implied, on behalf of or in the name of any other Party, or to bind any other Party in any manner whatsoever. The Parties expressly acknowledge (a) that Service Provider is an independent contractor with respect to Service Recipient in all respects, including the provision of the Services, and (b) that the Parties are not partners, joint venturers, employees or agents of or with each other.

13. CONFIDENTIALITY

- 13.1 Any Confidential Information of either Party shall be subject to Section [8.5] of the Separation and Distribution Agreement; provided that a Party’s Confidential Information may be used in connection with the provision and receipt of the Services and Confidential Information may be provided to Third Party Providers to the extent required to perform any such Service; provided that such Third Party Provider is subject to appropriate and customary confidentiality obligations. In connection with any permitted disclosure of this Agreement to any third party, each Party shall redact the portions of the Services Schedules that are not relevant to such third party’s inquiry.

- 13.2 It is further understood and agreed that money damages may not be a sufficient remedy for any breach of this Section 13 and that each Party shall be entitled to seek equitable relief, including injunction and specific performance, as remedy for any such breach. Such remedies shall not be deemed to be the exclusive remedies for a breach, but shall be in addition to all other remedies herein described available at Law or equity.

14. BENEFICIARY OF SERVICES; NO THIRD PARTY BENEFICIARIES

This Agreement is for the sole benefit of the Parties hereto, and nothing expressed or implied shall give or be construed to give any person any legal or equitable rights hereunder, whether as a third-party beneficiary or otherwise, except that any Service Recipient Indemnitees or Service Provider Indemnitees shall be intended third-party beneficiaries of Section 10.2. Each Party agrees, and each Party in its capacity as a Service Recipient represents and warrants, that the Services shall be provided solely to, and shall be used solely by, Service Recipient and its Subsidiaries. Service Recipient shall not resell or provide the Services to any other Person, or permit the use of the Services by any Person other than Service Recipient and its Subsidiaries.

15. ENTIRE AGREEMENT

This Agreement, together with the Separation and Distribution Agreement and the other Ancillary Agreements, constitutes the entire agreement of the Parties with respect to the subject matter hereof, and supersedes all prior agreements, understandings and negotiations, both written and oral, between the Parties with respect to the subject matter hereof. In the event and to the extent that there shall be a conflict between the provisions of this Agreement and the provisions of the Separation and Distribution Agreement or any other Ancillary Agreement, the Parties agree that this Agreement shall govern. The Parties agree that, in the event of an express conflict between the terms of this Agreement and a Services Schedule, the terms of the Services Schedule shall govern.

16. AMENDMENT; WAIVER

This Agreement and the Services Schedules may be amended, and any provision of this Agreement may be waived, if but only if such amendment or waiver is in writing and signed, in the case of an amendment, by each of the Parties, or in the case of a waiver, by the Party against whom the waiver is effective. No failure or delay by either Party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

17. NOTICES

All notices, requests and other communications to any Party hereunder shall be in writing (including telecopy or similar writing) and shall be given as follows:

- (a) if to Delta or to any of its Affiliates:

[•]

- (b) if to Ultra or to any of its Affiliates:

[•]

or to such other address or fax number and with such other copies, as such Party may hereafter specify for the purpose of notice to the other Parties. Each such notice, request or other communication shall be effective (a) if given by fax, when such fax is transmitted to the fax number specified in this Section 17 and evidence of receipt is received or (b) if given by any other means, upon delivery or refusal of delivery at the address specified in this Section 17.

18. NON-ASSIGNABILITY

Neither this Agreement nor any of the rights, interests or obligations of either Party hereunder may be assigned or transferred (whether directly or indirectly) by any such Party in whole or in part without the prior written consent of the other Party (not to be unreasonably withheld, delayed or conditioned), and any purported assignment without such prior written consent shall be null and void; provided that a Party may assign or transfer all its rights hereunder without such consent to an acquirer in connection with a sale of all or substantially all of its assets or other similar change in control of such Party.

19. FURTHER ASSURANCES

From time to time after the date hereof, without further consideration, each Party shall use commercially reasonable efforts to take, or cause to be taken, all appropriate action, do or cause to be done all things reasonably proper or advisable under applicable Law, and execute and deliver such documents as may be required or appropriate to carry out the provisions of this Agreement and to consummate, perform and make effective the transition contemplated hereby.

20. DEFINITIONS AND RULES OF CONSTRUCTION

- 20.1 Defined terms used in this Agreement have the meanings ascribed to them by definition in this Agreement or in the Separation and Distribution Agreement.
- 20.2 This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting or causing any instrument to be drafted.
- 20.3 Whenever the words “include”, “including”, or “includes” appear in this Agreement, they shall be read to be followed by the words “without limitation” or words having similar import.
- 20.4 As used in this Agreement, the plural shall include the singular and the singular shall include the plural.

21. COUNTERPARTS; EFFECTIVENESS

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of executed counterparts transmitted by telecopy, telefax or other electronic transmission service shall be considered original executed counterparts for purposes of this Section 21; provided that receipt of copies of such counterparts is confirmed. This Agreement shall become effective when each Party has received a counterpart hereof signed by the other Party hereto.

22. SECTION HEADINGS

The section headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

23. SEVERABILITY

If any provision of this Agreement shall be declared by any court of competent jurisdiction to be illegal, void or unenforceable, all other provisions of this Agreement shall not be affected and shall remain in full force and effect, and the Parties shall negotiate in good faith to replace such illegal, void or unenforceable provision with a provision that corresponds as closely as possible to the intentions of the Parties as expressed by such illegal, void, or unenforceable provision.

24. GOVERNING LAW; JURISDICTION

This Agreement (and any claims or disputes arising out of or related thereto or to the transactions contemplated thereby or to the inducement of any Party to enter therein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common Law, statute or otherwise) shall in all respects be governed by and construed in accordance with the Laws of the State of New York, including all matters of construction, validity and performance, in each case without reference to any choice-of-law or conflict of law principles that might lead to the application of the Laws of any other jurisdiction. Subject to the provisions of Section [9] of the Separation and Distribution Agreement, each of the Parties irrevocably submits to the exclusive jurisdiction of (a) the Fairfax County Circuit Court and any appeals courts thereof or (b) the United States District Court for the Eastern District of Virginia and any appeals courts thereof (the courts referred to in clauses (a) and (b), the “**Virginia Courts**”), for the purposes of any suit, action or other proceeding to compel arbitration or for provisional relief in aid of arbitration in accordance with Section 9 of the Separation and Distribution Agreement or to prevent irreparable harm, and to the non-exclusive jurisdiction of the Virginia Courts for the enforcement of any award issued thereunder. Each of the Parties further agrees that service of any process, summons, notice or document by U.S. registered mail to such Party’s respective address set forth in Section [11.6] of the Separation and Distribution Agreement shall be effective service of process for any action, suit or proceeding in the Virginia Courts with respect to any matters to which it has submitted to jurisdiction in this Section 24. Each of the Parties irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in the Virginia Courts, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

[Signature Page Follows]

SIGNATORY

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

DXC TECHNOLOGY COMPANY

By: _____
Name:
Title:

PERSPECTA INC.

By: _____
Name:
Title:

[Signature to Transition Services Agreement]

TAX MATTERS AGREEMENT

DATED AS OF [●]

by and between

DXC TECHNOLOGY COMPANY

and

PERSPECTA INC.

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This **TAX MATTERS AGREEMENT** (this “**Agreement**”) is dated as of [●], by and between [Delta], a Nevada corporation (“**Delta**”) and [Ultra], a Nevada corporation (“**Ultra**”). Delta and Ultra are also referred to in this Agreement individually as a “**Party**” and collectively as the “**Parties**”.

WHEREAS:

- (A) As of the date hereof, Delta is the common parent of an affiliated group of domestic corporations within the meaning of Section 1504(a) of the Code (the “**Affiliated Group**”), and the members of the Affiliated Group have heretofore joined in filing consolidated federal Income Tax Returns;
- (B) Delta, acting through its direct and indirect Subsidiaries, currently conducts the Delta Business and the Ultra Business;
- (C) The Board of Directors of Delta (the “**Board**”) has determined that it is appropriate, desirable and in the best interests of Delta and its stockholders to separate Delta into two separate, publicly traded companies, one for each of (i) the Delta Business, which shall be owned and conducted, directly or indirectly, by Delta and (ii) the Ultra Business, which shall be owned and conducted, directly or indirectly, by Ultra;
- (D) In order to effect such separation, the Board has determined that it is appropriate, desirable and in the best interests of Delta and its stockholders to undertake the Internal Reorganization and, following the completion of the Internal Reorganization, for Delta to distribute *pro rata* to the Record Holders in accordance with the Distribution Ratio all of the issued and outstanding shares of Ultra Common Stock (the “**Distribution**”);
- (E) It is the intention of the Parties that the Distribution qualify as a tax-free distribution under Section 355 of the Code;
- (F) It is the intention of the Parties that the contributions of Ultra Assets to, and the assumption of Ultra Liabilities, the payment of the Special Dividend and the distributions contemplated by the Debt Exchange by, Ultra prior to the Distribution, together with the Distribution (collectively, the “**Separation**”), qualify as a reorganization within the meaning of Sections 368(a)(1)(D) and 355 of the Code; and
- (G) As a result of the Distribution, the Parties desire to enter into this Agreement to provide for certain Tax matters, including the assignment of responsibility for the preparation and filing of Tax Returns, the payment of and indemnification for Taxes (including Taxes with respect to the Distribution and related transactions as contemplated in the Separation and Distribution Agreement and the other Ancillary Agreements), entitlement to refunds of Taxes, and the prosecution and defense of any Tax controversies.

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

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

Capitalized terms used in this Agreement and not defined herein shall have the meanings that such terms have in the Separation and Distribution Agreement. As used in this Agreement, the following terms shall have the following meanings:

“**Active Business**” means any active business relied on by the Ultra Group to satisfy the active trade or business requirement of Section 355(b) of the Code in connection with the Separation or any Internal Distribution. Each Active Business has been listed by Delta on Schedule I.

“**Affiliate**” is defined in the Separation and Distribution Agreement.

“**Affiliated Group**” is defined in the recitals hereof.

“**Agreement**” is defined in the preamble hereof.

“**Breaching Party**” is defined in Section 4.2.

“**Business Day**” or “**Business Days**” means any day that is not a Saturday, a Sunday or any other day on which banks are required or authorized by law to be closed in New York City or Virginia.

“**Closing of the Books Method**” means the apportionment of items between portions of a Tax Period based on a closing of the books and records on the Distribution Date (as if the Distribution Date was the end of such Tax Period); *provided* that any items not susceptible to such apportionment shall be apportioned on the basis of elapsed days during the relevant portion of the Tax Period.

“**Code**” means the United States Internal Revenue Code of 1986, as amended.

“**Consolidated Return**” means any Income Tax Return filed pursuant to Section 1502 of the Code, or any comparable combined, consolidated, or unitary group Income Tax Return filed under state or local Tax Law with respect to which Delta or any Delta Subsidiary is the parent entity.

“**Debt Exchange**” is defined in the Merger Agreement.

“**Delta**” is defined in the preamble hereof.

“**Delta/Ultra Disclosure Schedule**” is defined in the Merger Agreement.

“**Delta Business**” is defined in the Separation and Distribution Agreement.

“**Delta Group**” is defined in the Separation and Distribution Agreement.

“**Delta Subsidiary**” means any Subsidiary of Delta other than Ultra or any Ultra Subsidiary.

“**Distribution**” is defined in the recitals hereof.

“**Distribution Date**” means the Business Day on which the Distribution is effected.

“Distribution Taxes” means any and all Taxes incurred as a result of (a) the failure of the Distribution to qualify as a tax-free distribution to Delta’s stockholders under Section 355(a) of the Code, (b) the failure of the Separation or any Internal Distribution to qualify as a tax-free transaction under Section 368(a)(1)(D) and/or Section 355 of the Code or (c) the failure of the stock of Ultra distributed in the Distribution (or the stock of any Ultra Subsidiary or Delta Subsidiary distributed in any Internal Distribution) be treated as qualified property pursuant to Section 355(e) of the Code.

“Effective Time” is defined in the Separation and Distribution Agreement.

“Final Determination” means the final resolution of liability for any Tax for any taxable period, including any related interest or penalties, by or as a result of (i) a final and unappealable decision, judgment, decree or other order by any court of competent jurisdiction, (ii) a closing agreement or accepted offer in compromise under Section 7121 or 7122 of the Code, or comparable agreement under the laws of other jurisdictions which resolves the entire Tax liability for any taxable period, (iii) any allowance of a refund or credit in respect of an overpayment of Tax, but only after the expiration of all periods during which such refund may be recovered by the jurisdiction imposing the Tax, or (iv) any other final disposition.

“Force Majeure” is defined in the Separation and Distribution Agreement.

“HPE Tax Matters Agreement” means the Tax Matters Agreement by and among Hewlett Packard Enterprise Company, Everett Spinco, Inc., and Computer Sciences Corporation, dated as of [], 2017.

“Included Party” is defined in Section 3.3(b).

“Income Tax” or **“Income Taxes”** means any income, franchise or similar Taxes imposed on (or measured by) net income or net profits.

“Income Tax Returns” means all Tax Returns relating to Income Taxes.

“Indemnified Liability” means any liability subject to indemnification pursuant to Section 4.2.

“Internal Distribution” means any transaction (or series of transactions) effected as part of the Internal Reorganization that is intended to qualify as a tax-free transaction under Section 355 and/or Section 368(a)(1)(D) of the Code. Each Internal Distribution, including the Ultra Subsidiaries that were a party thereto and the Ultra Subsidiaries and Delta Subsidiaries the stock of which was distributed therein, has been listed by Delta on Schedule II.

“Internal Reorganization” is defined in the Separation and Distribution Agreement.

“IRS” means the United States Internal Revenue Service.

“LIBOR” is defined in the Separation and Distribution Agreement.

“Losses” has the meaning ascribed to the term “Indemnifiable Losses” in the Separation and Distribution Agreement.

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

“**Mergers**” shall have the meaning set forth in the Merger Agreement.

“**Non-Breaching Party**” is defined in Section 4.2.

“**Opinion**” means the opinion delivered by Skadden, Arps, Slate, Meagher & Flom LLP pursuant to Section [4.4(e)] of the Separation and Distribution Agreement.

“**Other Taxes**” means Taxes other than Income Tax, other than any such Taxes imposed or incurred in connection with the Internal Reorganization or the Separation.

“**Party**” is defined in the preamble hereof.

“**Payment Period**” is defined in Section 2.4(d).

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

“**Preparing Party**” is defined in Section 3.3(b).

“**Proceeding**” means any audit, examination or other proceeding brought by a Taxing Authority with respect to Taxes.

“**Protective 336 Election**” is defined in Section 4.4(a).

“**Prohibited Acts**” is defined in Section 4.1.

“**Requesting Party**” is defined in Section 4.1.

“**Restricted Period**” means the two (2)-year period commencing on the Distribution Date.

“**Separation**” is defined in the recitals hereof.

“**Separation and Distribution Agreement**” means the Separation and Distribution Agreement, dated as of the date hereof, between Delta and Ultra.

“**Special Dividend**” is defined in the [Separation and Distribution Agreement].

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

“**Stub Taxable Period**” is defined in Section 3.3(a).

“**Subsidiary**” is defined in the Separation and Distribution Agreement.

“**Tax**” or “**Taxes**” means (i) all taxes, charges, fees, imposts, levies or other assessments imposed by a Taxing Authority, including all net income, gross receipts, capital, sales, use, gains, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, property and estimated taxes, custom duties, fees, assessments and charges of any kind whatsoever and (ii) liability for the payment of

any amount of the type described in clause (i) above arising as a result of being (or having been) a member of any group or being (or having been) included or required to be included in any Tax Return related thereto. Whenever the term “Tax” or “Taxes” is used it shall include penalties, fines, additions to tax and interest thereon.

“**Tax Package**” is defined in Section 3.3(b).

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

“**Tax Returns**” means any report, return, statement or similar document (including information returns and amended returns), including any schedules or attachments thereto, and any amendment or supplement thereof, required to be filed or that were or may be filed for any period with any Taxing Authority in connection with any Tax or Taxes (whether domestic or foreign).

“**Taxing Authority**” means any governmental authority (whether United States or non-United States, and including any state, municipality, political subdivision or governmental agency) responsible for the imposition, administration, collection, determination or regulation of any Tax.

“**Ultra**” is defined in the preamble hereof.

“**Ultra Business**” is defined in the Separation and Distribution Agreement.

“**Ultra Group**” is defined in the Separation and Distribution Agreement.

“**Ultra Subsidiary**” means (i) any Subsidiary of Ultra after the Distribution Date and (ii) any Subsidiary of Ultra before the Distribution Date the successor of which is described in (i) above.

“**Ultra Tax Savings**” is defined in Section 4.4(b).

1.2 References; Interpretation

References in this Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. The words “include,” “includes” and “including” when used in this Agreement shall be deemed to be followed by the phrase “without limitation.” Unless the context otherwise requires, references in this Agreement to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, such Agreement. Unless the context otherwise requires, the words “hereof,” “hereby” and “herein” and words of similar meaning when used in this Agreement refer to this Agreement in its entirety and not to any particular Article, Section or provision of this Agreement.

2. ALLOCATION OF TAX LIABILITIES

2.1 Payment of Taxes

- (a) Taxes Upon Filing and Adjusted Income Taxes.

- (i) The Party responsible for the filing of a Tax Return pursuant to Sections 3.1 and 3.2 shall pay to the relevant Taxing Authority all Taxes due or payable in connection with such Tax Return (including any amounts relating to adjustments to such Tax Return) and shall be entitled to any refunds (including, for the avoidance of doubt, any similar credit or offset against Taxes) in connection therewith.
 - (ii) Notwithstanding the foregoing, except as otherwise provided in Section 2.2(c), with respect to any Tax Return (other than a Consolidated Return) of Ultra for any taxable period (whether ending on, before or after the Distribution Date), Ultra shall be liable for, and shall be entitled to any refunds of, Taxes (including any amounts relating to adjustments to such Tax Return) relating to such taxable period.
- (b) Separation Taxes. Notwithstanding anything in this Section 2.1 to the contrary, and except as provided in Section 4, Delta shall be liable for, and shall be entitled to any refunds of, any Taxes for a taxable period that begins on or before the Distribution Date imposed or incurred in connection with the Internal Reorganization or the Separation, including (i) Distribution Taxes, (ii) Taxes imposed as a result of Delta otherwise recognizing any gain in connection with the Distribution (including, for the avoidance of doubt, the related internal transactions), (iii) Taxes imposed as a result of the recapture of any previously claimed Tax items in connection with the Distribution, (iv) Taxes imposed as a result of any deferred intercompany item or excess loss account (or any similar item under state, local or foreign Tax law) being taken into account in connection with the Distribution pursuant to Section 1502 of the Code and the regulations promulgated thereunder (or any similar provision of state, local or foreign Tax law) and (v) any stamp, duty, transfer, sales and use or similar Taxes incurred in connection with the Internal Reorganization or the Separation.
- (c) Other Taxes. At the conclusion of any Proceeding relating to Other Taxes, Delta and Ultra shall reasonably cooperate with one another in a timely manner to determine the amount of any Other Taxes payable by Delta that are attributable to the Ultra Business (and vice-versa) and Ultra or Delta, as the case may be, shall pay such amount of Other Taxes imposed with respect to the Ultra Business or the Delta Business, as applicable, to Delta or Ultra, respectively.

2.2 Indemnity

- (a) Subject to Section 4, Delta shall indemnify Ultra and its Affiliates from all liability for Taxes for which Delta is responsible pursuant to Section 2.1 and any related Losses.
- (b) Subject to Section 4, Ultra shall indemnify Delta and its Affiliates from all liability for Taxes for which Ultra is responsible pursuant to Section 2.1 and any related Losses. With respect to any liability of Ultra for Income Taxes of any affiliated, consolidated, combined, unitary or similar Tax group of which Ultra or any Ultra Subsidiary was a member or in which the Ultra Business was included in a Pre-Distribution Period (other than an affiliated, consolidated, combined, unitary or similar Tax group with respect to which Delta or a Delta Subsidiary was a parent), to the extent Delta may be indemnified for such Income Taxes under the HPE Tax Matters Agreement, Delta shall use its commercially reasonable efforts to seek indemnification for such Income Taxes from Hewlett Packard Enterprise Company. Delta shall pay or cause to be paid to Ultra any such indemnity payments Delta receives from Hewlett Packard Enterprise Company to the extent related to such Ultra Income Taxes, less any Taxes and expenses, fees and costs (including professional fees) incurred by Delta in its sole discretion (and not otherwise reimbursed for or borne by Ultra) in obtaining such indemnity, within thirty (30) days after the receipt thereof. Ultra shall cooperate with Delta in obtaining any such indemnity from Hewlett Packard Enterprise Company and shall reimburse any expenses, fees and costs incurred by Delta in connection with obtaining such indemnity.

- (c) Notwithstanding anything herein to the contrary, Delta shall indemnify Ultra and its Affiliates for Taxes incurred by Ultra or any of its Affiliates as a result of the federal Income Tax audits disclosed in Section 4.12(b) of the Delta/Ultra Disclosure Schedule (including any related judicial or administrative Proceedings or contests) (the “**Specified Actions**”), and any related Losses, except to the extent any such Taxes or Losses actually result from Ultra’s or its Affiliate’s interference with Delta’s or Hewlett Packard Enterprise Company’s conduct of any such Specified Action.
- (d) Unless otherwise agreed in writing, the indemnifying Party shall pay to the indemnified Party the amount required to be paid pursuant to this Section 2.2 within thirty (30) days of being notified of the amount due by the indemnified Party. The notice by the indemnified Party requesting such payment shall be accompanied by the calculations and other information used to determine the indemnifying Party’s obligations hereunder. Such payment shall be paid by the indemnifying Party to the indemnified Party by wire transfer of immediately available funds to an account designated by the indemnified Party by written notice to the indemnifying Party prior to the due date of such payment. In the event of a disagreement as to the amount required to be paid pursuant to this Section 2.2, the indemnifying Party and the indemnified Party shall cooperate with one another in good faith to resolve any such disagreement.

2.3 Contests

- (a) Subject to Section 4, the right to control the conduct of any Proceeding shall belong to the Party responsible, pursuant to Sections 3.1 and 3.2, for the filing of the Tax Return to which such Proceeding relates. Notwithstanding the foregoing, Delta shall have the right to control the conduct of any Proceeding if Delta reasonably determines that it could have an indemnification obligation for an adjustment to Tax pursuant to such Proceeding. Subject to Section 2.3(g), if the Party not controlling a Proceeding could have an indemnification obligation for an adjustment to Tax pursuant to such Proceeding, such Party shall be entitled to participate in (but not control) such Proceeding at its own cost and expense.
- (b) Except as set forth in Section 2.3(g), the Party controlling a Proceeding shall not settle such Proceeding in a manner that would result in an indemnity payment from the other Party under this Agreement or otherwise cause a material adverse tax consequence to the other Party without the consent of the other Party (such consent not to be unreasonably withheld, conditioned or delayed); provided that the Party controlling such Proceeding may settle such Proceeding without the consent of the other Party so long as such Party waives its indemnification rights hereunder in respect of such Proceeding and agrees to indemnify the other Party against any material adverse tax consequence arising from such settlement.
- (c) To the extent relevant, the Parties will use commercially reasonable efforts to work with Taxing Authorities to cause any Proceedings to be bifurcated into pre-Distribution Date and post-Distribution Date periods.
- (d) At Delta’s request, Ultra will pay its share of Taxes as needed to file a protest or otherwise respond to a Proceeding.

- (e) Delta and Ultra shall negotiate in good faith concerning the waiver of any law firm and advisor conflicts with respect to any law firms or advisors that were retained by Delta at any time prior to the Effective Time.
- (f) After the Distribution Date, each Party shall promptly notify the other Party in writing upon receipt of written notice of the commencement of any Proceeding or of any demand or claim upon it, which, if determined adversely, would be grounds for indemnification from such other Party pursuant to Section 2.2; provided that failure to provide notice pursuant to this sentence shall not relieve any Party of its obligations pursuant to this Agreement except to the extent such Party is actually prejudiced as a result thereof. Each Party shall, on a timely basis, keep the other Party informed of all developments in the Proceeding and provide such other Party with copies of all pleadings, briefs, orders, and other correspondence pertaining thereto.
- (g) Notwithstanding anything to the contrary contained herein, neither Ultra nor its Affiliates shall have the right to participate in, control, approve, consent to or otherwise hinder the conduct or settlement of the Specified Actions. Neither Ultra nor any Affiliate shall take any action that could reasonably be expected to increase any liability for Taxes related to, or in connection with, the Specified Actions. At Delta's request, Ultra and its Affiliates will cooperate with Delta, Hewlett Packard Enterprise Company and their Affiliates and representatives in connection with the conduct and resolution of the Specified Actions.

2.4 Treatment of Payments; After Tax Basis

- (a) Unless otherwise required by a Final Determination, this Agreement or as otherwise agreed to between the Parties, any payment made pursuant to this Agreement (other than any payment of interest pursuant to Section 2.4(d)) by (i) Ultra to Delta shall be treated for all Tax purposes as a distribution by Ultra to Delta with respect to the stock of Ultra occurring after Ultra is directly owned by Delta and immediately before the Distribution, or (ii) Delta to Ultra shall be treated for all Tax purposes as a tax-free contribution by Delta to Ultra with respect to its stock occurring after Ultra is directly owned by Delta and immediately before the Distribution; and in each case, no Party shall take any position inconsistent with such treatment. In the event that a Taxing Authority asserts that a Party's treatment of a payment pursuant to this Agreement should be other than as required pursuant to this Agreement (ignoring any potential inconsistent or adverse Final Determination), such Party shall use its commercially reasonable efforts to contest such challenge.
- (b) If the receipt or accrual of any payment pursuant to this Agreement (other than payments of interest pursuant to Section 2.4(d)) results in taxable income to the indemnified Party or any of its Affiliates, such payment shall be increased so that, after the payment of any Taxes with respect to the payment, the indemnified Party and its Affiliates shall have realized the same net amount they would have realized had the payment not resulted in taxable income.
- (c) To the extent that any liability for Taxes or Losses that is subject to indemnification under this Agreement gives rise to a deduction, credit or other Tax benefit to the indemnified Party or any of its Affiliates, the amount of any payment made under this Agreement shall be decreased by taking into account any actual reduction in Taxes (determined on a with and without basis) of the indemnified Party or any of its Affiliates resulting from such Tax benefit. To the extent that the Party responsible for the payment of Taxes pursuant to Section 2.1 incurs a liability for Taxes or a Loss or an adjustment that is not subject to indemnification under this Agreement and the other Party or any of its Affiliates receives a

deduction, credit or other Tax benefit as a result, the Party receiving such Tax benefit shall pay to the other Party the Tax benefit (determined on a with and without basis) in accordance with this Section 2.4. If (i) such actual reduction in Taxes of the indemnified Party or its Affiliate occurs in a taxable period following the period in which the indemnification payment is made or (ii) any adjustment to the liability for Taxes for which one Party or any Affiliates is responsible hereunder gives rise to a deduction, credit or other Tax benefit to the other Party or any of its Affiliates, the indemnified Party (or, in the case of (ii), the other Party) shall on an annual basis pay the indemnifying Party (or, in the case of (ii), the responsible Party) the amount of the actual reduction in Taxes (determined on a with and without basis); provided, however, that no such payment shall be required if the actual reduction in Taxes for the relevant year and any unpaid reduction in Taxes for all prior years is less than \$50,000.

- (d) Payments made pursuant to this Agreement that are not made within the period prescribed in this Agreement or, if no period is prescribed, within thirty (30) days after demand for payment is made (the “**Payment Period**”) shall bear interest for the period from and including the date immediately following the last date of the Payment Period through and including the date of payment at a rate of simple interest per annum equal to LIBOR. Such interest will be payable at the same time as the payment to which it relates and shall be calculated on the basis of a year of three hundred sixty five (365) days and the actual number of days for which due.

2.5 Allocation of Tax Attributes

Delta shall determine in good faith, consistent with the books and records of Delta, the allocation of tax attributes that are required to be allocated among Delta and Ultra in accordance with the Code and the regulations promulgated thereunder (and any applicable state, local and foreign laws).

3. PREPARATION AND FILING OF TAX RETURNS

3.1 Delta’s Responsibility for the Preparation and Filing of Tax Returns

- (a) Delta shall prepare or cause to be prepared (i) all Consolidated Returns, (ii) all other Tax Returns that it or any member of the Delta Group is legally obligated to file after the Distribution Date according to the laws of the relevant taxing jurisdiction and (iii) all Tax Returns required to be filed before the Distribution Date. Delta shall file or cause to be filed all such Tax Returns with the appropriate Taxing Authority.
- (b) To the extent that any member of the Ultra Group is included in any Consolidated Return for a taxable period that includes the Distribution Date, Delta shall include in such Consolidated Return the results of such member(s) of the Ultra Group on the basis of the Closing of the Books Method consistent with Treas. Reg. Section 1.1502-76(b)(2)(i).

3.2 Ultra’s Responsibility for the Preparation and Filing of Tax Returns

Ultra shall prepare or cause to be prepared all Tax Returns that it or any member of the Ultra Group is legally obligated to file after the Distribution Date according to the laws of the relevant taxing jurisdiction; provided, however, that Delta shall have the right to review and comment with respect to items on such Tax Returns if and to the extent such items directly relate to Taxes for which Delta would be liable under Section 2.1, such comment not to be unreasonably rejected. Ultra shall file or cause to be filed all such Tax Returns with the appropriate Taxing Authority.

3.3 Manner of Preparation

- (a) To the extent permitted by law, any taxable period of Ultra or any Ultra Subsidiary for any state, local or foreign Income Tax purposes that would otherwise include but not end on the Distribution Date shall be bifurcated into two (2) separate taxable periods, one ending on the Distribution Date and the other beginning on the day following the Distribution Date (each a “**Stub Taxable Period**”), and a separate Income Tax Return for each Stub Taxable Period shall be prepared and filed by the Party responsible for such preparation and filing pursuant to Sections 3.1 and 3.2.
- (b) To the extent any Tax Return required to be prepared by Delta pursuant to Section 3.1 contains items relating to the Ultra Business or any Tax Return required to be prepared by Ultra pursuant to Section 3.2 contains items relating to the Delta Business, the Party not responsible for preparing such Tax Return (the “**Included Party**”) shall, at its own cost and expense, prepare and deliver to the Party responsible for preparing such Tax Return (the “**Preparing Party**”) a true and correct accounting of all relevant Tax items (in a form reasonably requested by the Preparing Party) relating to the Included Party (or any of its Subsidiaries) for the taxable period covered by such Tax Return (a “**Tax Package**”) within thirty (30) days following the written request of the Preparing Party. In the event an Included Party does not fulfill its obligations pursuant to this Section 3.3(b), the Preparing Party shall be entitled to prepare or cause to be prepared the information required to be included in the Tax Package for purposes of preparing any such Tax Return, and the Included Party shall reimburse the Preparing Party for any out-of-pocket expenses incurred in the preparation of such information.
- (c) All Tax Returns for taxable periods (or portions thereof) beginning before the Distribution Date that are required to be filed after the Distribution Date that could give rise to an indemnity obligation pursuant to Sections 2.2(a) or 2.2(b) shall, unless otherwise required by law, be prepared in a manner consistent with past practices (e.g., accounting methods and accelerating deductions through bonus depreciation or otherwise) and the preparing Party shall, at the other Party’s request, share any such Tax Return with such other Party after the filing thereof.
- (d) All Income Tax Returns filed on or after the Distribution Date shall be prepared in a manner that is consistent with the Opinion, or any rulings obtained from the IRS or other Taxing Authorities in connection with the Internal Reorganization or the Separation (in the absence of a Final Determination to the contrary) and shall be filed on a timely basis (including pursuant to extensions) by the Party responsible for such filing pursuant to Sections 3.1 and 3.2. In the absence of a Final Determination to the contrary or a change in law, all Income Tax Returns of Ultra and its Subsidiaries for taxable periods beginning before the Distribution Date shall be prepared consistent with the Tax Returns of the Affiliated Group.
- (e) Except to the extent required by Law, no member of the Ultra Group shall amend any Income Tax Return relating to a taxable period (or portion thereof) ending on or before the Distribution Date without the written consent of Delta (which consent shall not be unreasonably withheld, conditioned or delayed). Except to the extent required by Law, no member of the Delta Group shall amend any Income Tax Return relating to Ultra or any Ultra Subsidiary without the written consent of Ultra (which consent shall not be unreasonably withheld, conditioned or delayed).

3.4 Costs and Expenses of Preparation

Subject to Section 3.3(b), the Party responsible for preparing any Tax Return under Sections 3.1 and 3.2 shall be responsible for the costs and expenses associated with preparing such Tax Returns.

3.5 Carrybacks

To the extent permitted by law, each member of the Ultra Group shall elect to forgo a carryback of any net operating losses, capital losses or credits for any taxable period ending after the Distribution Date to a taxable period, or portion thereof, ending on or before the Distribution Date. Notwithstanding the previous sentence, if any member of the Delta Group receives a refund or otherwise realizes a Tax benefit as a result of any mandatory carryback of any item from a member of the Ultra Group, it shall remit to Ultra the amount of such refund or Tax benefit, less any Tax or other reasonable out-of-pocket costs incurred by Delta or the Delta Subsidiary, as the case may be; provided, however, if a Taxing Authority subsequently reduces or disallows such refund or Tax benefit, Ultra shall, within thirty (30) days of the reduction or disallowance, return the amount previously remitted to Ultra.

3.6 Retention of Records; Access

- (a) Delta and Ultra shall, and shall cause each of their Subsidiaries to, retain adequate records, documents, accounting data and other information (including computer data) necessary for the preparation and filing of all Tax Returns required to be filed by Delta or Ultra hereunder and for any Proceeding relating to such Tax Returns or to any Taxes payable by Delta or Ultra hereunder. Furthermore, Ultra shall retain adequate records, documents, accounting data and other information (including computer data) necessary to comply with Delta's existing record retention policies.
- (b) Delta and Ultra shall reasonably cooperate with one another in a timely manner in any Proceeding involving any matter that may result in an indemnification obligation by the other Party. Delta and Ultra shall, and shall cause each of their Subsidiaries to, provide reasonable access to (i) all records, documents, accounting data and other information (including computer data) necessary for the preparation and filing of all Tax Returns required to be filed by Delta or Ultra and for any Proceeding relating to such Tax Returns or to any Taxes payable by Delta or Ultra and (ii) its personnel and premises, for the purpose of the preparation, review or audit of such Tax Returns, or in connection with any Proceeding, as reasonably requested by either Delta or Ultra. Furthermore, at a Party's request, the other Party shall designate a member of its tax department or an outside advisor as a point of contact with respect to each audit. Except to the extent necessary to comply with Section 3.3(d), Party requesting or otherwise entitled to any books, records, information, officers or employees pursuant to this Section 3.6(b) shall bear all reasonable out-of-pocket costs and expenses (except reimbursement of salaries, employee benefits and general overhead) incurred in connection with providing such books, records, information, officers or employees.
- (c) The obligations set forth above in Sections 3.6(a) and 3.6(b) shall continue until the longer of (i) the time of a Final Determination or (ii) expiration of all applicable statutes of limitations, to which the records and information relate. For purposes of the preceding sentence, each Party shall assume that no applicable statute of limitations has expired unless such Party has received notification or otherwise has actual knowledge that such statute of limitations has expired.

3.7 Confidentiality; Ownership of Information; Privileged Information

The provisions of Article [VII] of the Separation and Distribution Agreement relating to confidentiality of information, ownership of information, privileged information and related matters shall apply with equal force to any records and information prepared and/or shared by and among the Parties in carrying out the intent of this Agreement.

4. DISTRIBUTION AND RELATED TAX MATTERS

Notwithstanding anything herein to the contrary, the provisions of this Section 4 shall govern all matters among the parties hereto related to an Indemnified Liability.

4.1 Opinion Requirement for Major Transactions Undertaken by Ultra During the Restricted Period

Other than pursuant to the transactions contemplated by the Separation and Distribution Agreement or the Merger Agreement or issuances satisfying the requirements of Safe Harbors VIII or IX of Treas. Regs. Section 1.355-7(d), Ultra agrees that during the Restricted Period it shall not, and shall cause each Ultra Subsidiary that was a party to any Internal Distribution not to, (a) merge or consolidate with or into any other entity, (b) liquidate or dissolve, (c) sell or transfer any portion of its assets that would violate the “continuity of business enterprise” requirement of Treas. Regs. Section 1.368-1(d) or 1.355-3, (d) redeem or otherwise repurchase any of its capital stock other than pursuant to open market stock repurchase programs meeting the requirements of section 4.05(1)(b) of Rev. Proc. 96-30, 1996-1 C.B. 696 (prior to its modification by Rev. Proc. 2003-48), (e) cease the active conduct of its Active Business, (f) enter into any negotiations, agreements or arrangements with respect to transactions or events (including any transactions described in Sections 4.1(a)-(d), stock issuances (pursuant to the exercise of options or otherwise), option grants or acquisitions, or a series of such transactions or events, but excluding the Separation, and the Merger) that may cause the Distribution or any Internal Distribution to be treated as part of a plan pursuant to which one or more persons acquire directly or indirectly stock of Ultra (or stock of any Ultra Subsidiary that was a party to any Internal Distribution) representing a “30-percent or greater interest” (*i.e.*, stock possessing at least thirty percent (30%) of the total combined voting power of all classes of stock entitled to vote or at least thirty percent (30%) of the total value of shares of all classes of stock, as such terms are used in Section 355(d)(4) of the Code), or (g) take any other action (or series of actions), or permit any Subsidiary to take any such action (or series of actions), where the taking of such action (or series of actions) described in this Section 4.1 could reasonably be expected to (i) cause the Distribution to fail to qualify as a tax-free distribution to Delta’s stockholders under Section 355(a) of the Code, (ii) cause the Separation or any Internal Distribution to fail to qualify as a reorganization within the meaning of Section 368 (a)(1)(D) and/or Section 355 of the Code or (iii) cause the stock of Ultra distributed in the Distribution (or the stock of any Ultra Subsidiary or Delta Subsidiary distributed in any Internal Distribution) to fail to be treated as qualified property pursuant to Section 355(e) of the Code (the acts listed in (a)-(g) collectively, the “**Prohibited Acts**”). Notwithstanding the foregoing, Ultra may take, and may permit any Ultra Subsidiary to take, any of the Prohibited Acts, subject to Section 4.2, if (x) Ultra first obtains (at its expense) an opinion in form and substance reasonably acceptable to Delta of a nationally recognized law firm or a “big four” accounting firm reasonably acceptable to Delta, which opinion may be based on factual representations (reasonably acceptable to Delta) or (y) a ruling is obtained from the IRS, in each case, to the effect that such Prohibited Act or Prohibited Acts, and any transaction related thereto, should not cause (A) the Distribution to fail to qualify as a tax-free distribution to Delta’s stockholders under Section 355(a) of the Code, (B) the Separation or any Internal Distribution to fail to qualify as a reorganization within the

meaning of Section 368(a)(1)(D) and/or Section 355 of the Code or (C) the stock of Ultra distributed in the Distribution (or the stock of any Ultra Subsidiary or Delta Subsidiary distributed in any Internal Distribution) to fail to be treated as qualified property pursuant to Section 355(e) of the Code. Ultra may also take, and may permit any Ultra Subsidiary to take, any of the Prohibited Acts, subject to Section 4.2, with the consent of Delta in its sole and absolute discretion. During the Restricted Period, Delta shall provide all information and written representations reasonably requested by Ultra that Delta is reasonably able to provide relating to any transaction involving an acquisition (directly or indirectly) of the stock of Ultra within the meaning of Section 355(e) of the Code or any other matter reasonably necessary to enable Ultra to obtain the opinion described in clause (x) hereof, or for the ruling described in clause (y) hereof to be obtained by Ultra (or, if necessary, by Delta at Ultra's reasonable request).

4.2 Indemnification for Distribution Taxes

If, after the Distribution, a Party or any of its Affiliates takes any action or enters into any agreement to take any action, including any of the Prohibited Acts as defined in Section 4.1 of this Agreement (other than any such action contemplated in the Separation and Distribution Agreement or related documents), or if there is any direct or indirect acquisition of a Party's stock, and as a result (a) the Distribution shall fail to qualify as a tax-free distribution to Delta's stockholders under Section 355(a) of the Code, (b) the Separation or any Internal Distribution shall fail to qualify as a tax-free transaction under Sections 368(a)(1)(D) and/or Section 355 of the Code or (c) the stock of Ultra distributed in the Distribution (or the stock of any Delta Subsidiary or Ultra Subsidiary distributed in any Internal Distribution) shall fail to be treated as qualified property pursuant to Section 355(e) of the Code, then such Party (the "**Breaching Party**") shall indemnify and hold harmless the other Party (the "**Non-Breaching Party**") and any of its Affiliates against any and all resulting Distribution Taxes (and any related Losses) imposed upon or incurred by the Non-Breaching Party or any of its Affiliates (and any Taxes of Delta stockholders to the extent the Non-Breaching Party or any of its Affiliates is liable with respect to such Taxes, whether to a Taxing Authority, to a stockholder or to any other person), unless such Taxes would, in any event, have been imposed upon or incurred by the Non-Breaching Party or any of its Affiliates without regard to such actions, breaches or events, as determined at such time; provided, however, that Ultra shall not be obligated to indemnify Delta under this Section 4.2 to the extent that (i) Ultra took such action or entered into such agreement in reliance upon any representation, warranty or covenant made by Delta in the representation letter Delta furnished to Skadden, Arps, Slate, Meagher & Flom LLP in connection with the Opinion and Delta breached such representation, warranty or covenant, or (ii) the indemnification claim arises from any breached representation, warranty or covenant made by Ultra in its representation letter provided in connection with the Opinion to the extent such representation, warranty or covenant creates a restriction more onerous than the restrictions described in Section 4.1. Subject to the foregoing proviso, the Non-Breaching Party and any of its Affiliates shall be indemnified and held harmless under this Section 4.2 without regard to whether an opinion or ruling pertaining to the action pursuant to Section 4.1 was obtained, and without regard to whether the Non-Breaching Party gave its consent to such action pursuant to Section 4.1 or otherwise.

4.3 Procedural Matters

- (a) Notice. If either Delta or Ultra receives any written notice of deficiency, claim or adjustment or any other written communication from a Taxing Authority that may result in an Indemnified Liability, the Party receiving such notice or communication shall promptly give written notice thereof to the other Party, provided that any delay in such notification shall not relieve the indemnifying Party of any liability to the other Party hereunder except to the extent the indemnifying Party is materially and

adversely prejudiced by such delay. Delta undertakes and agrees that from and after such time as Delta obtains knowledge that any representative of a Taxing Authority has begun to investigate or inquire into the Separation (whether or not such investigation or inquiry is a formal or informal investigation or inquiry), Delta shall (i) notify Ultra thereof, provided that any delay by Delta in so notifying Ultra shall not relieve Ultra of any liability to Delta hereunder except to the extent Ultra is materially and adversely prejudiced by such delay, (ii) consult with Ultra from time to time as to the conduct of such investigation or inquiry, (iii) provide Ultra with copies of all correspondence between Delta or its representatives and such Taxing Authority or any representative thereof pertaining to such investigation or inquiry, and (iv) cooperate with Ultra to permit a representative (reasonably satisfactory to Delta) of Ultra to be present at, and participate in (but not control), all meetings with such Taxing Authority or any representative thereof pertaining to such investigation or inquiry, provided that any costs relating to Ultra's representation at such meetings shall be borne by Ultra.

- (b) Tax Proceedings Controlled by Delta. With respect to any Proceeding that may result in an Indemnified Liability with respect to which Ultra would be entitled to indemnification from Delta, Delta shall be entitled to control the defense of such Proceeding at its own expense, provided that (i) Ultra shall be entitled to participate in (but not control) such Proceeding at its own cost and expense and (ii) Delta shall not settle such Proceeding without the prior written consent of Ultra (not to be unreasonably withheld, conditioned or delayed).
- (c) Tax Proceedings Controlled by Ultra. With respect to any Proceeding that may result in an Indemnified Liability with respect to which Delta would be entitled to indemnification from Ultra, Ultra shall be entitled to control the defense or settlement of such Proceeding at its own expense; provided that Ultra shall not settle such Proceeding without the prior written consent of Delta (not to be unreasonably withheld, conditioned or delayed). Ultra undertakes and agrees to (i) consult with Delta from time to time as to the conduct of any such Proceeding over which it exercises control, (iii) provide Delta with copies of all correspondence between Ultra or its representatives and such Taxing Authority or any representative thereof pertaining to such Proceeding, and (iv) cooperate with Delta to permit a representative (reasonably satisfactory to Ultra) of Delta to be present at, and participate in (but not control), all meetings with such Taxing Authority or any representative thereof pertaining to such Proceeding, provided that any costs relating to Delta's representation at such meetings shall be borne by Delta.
- (d) Time and Manner of Payment. Unless otherwise agreed in writing, Delta or Ultra, as the case may be, shall pay to the other Party the amount with respect to an Indemnified Liability determined pursuant to a Final Determination (less any amount paid directly by the indemnifying Party to the Taxing Authority) at least two (2) Business Days prior to the date payment of the Indemnified Liability is required to be made to the Taxing Authority. Such payment shall be paid by wire transfer of immediately available funds to an account designated by the indemnified Party by written notice to the indemnifying Party prior to the due date of such payment.
- (e) Refund of Amounts. Should a Party or any of its Affiliates receive a refund in respect of an Indemnified Liability or other Taxes for which the other Party was responsible under this Agreement, or should any such amounts that would otherwise be refundable to such Party or any of its Affiliates be applied or credited by the Taxing Authority to obligations of such Party or any of its Affiliates unrelated to an Indemnified Liability, then such Party shall, promptly following receipt (or notification of credit), remit such refund or an amount equal to such credit (including any statutory interest that is included in such refund or credited amount) to the other Party.

- (f) Cooperation. Subject to the provisions of Section 3.6, Delta and Ultra shall reasonably cooperate with one another in a timely manner in any Proceeding involving any matter that may result in an Indemnified Liability. Delta and Ultra agree that such cooperation shall include, without limitation, making available to the other Party, during normal business hours, all books, records and information, officers and employees (without substantial interruption of employment) necessary or useful in connection with any such judicial or administrative Proceeding. The Party requesting or otherwise entitled to any books, records, information, officers or employees pursuant to this Section 4.3(f) shall bear all reasonable out-of-pocket costs and expenses (except reimbursement of salaries, employee benefits and general overhead) incurred in connection with providing such books, records, information, officers or employees.
- (g) Rulings. Delta shall provide Ultra a copy of and an opportunity to comment upon any ruling sought from the IRS with respect to the Internal Reorganization or the Separation and no ruling request shall be made without Ultra's consent if such ruling would materially expand Ultra's indemnification obligations under Section 4.2.

4.4 Protective Section 336(e) Elections

- (a) Delta and Ultra shall make a protective election under Section 336(e) of the Code (and any similar election under state or local law) (the "**Protective 336 Election**") with respect to the Separation in accordance with Treas. Reg. Section 1.336(e)-2(h) and (j) (and any applicable provisions under state and local law) and shall cooperate in the timely completion and/or filings of such elections and any related filings or procedures. This is intended to constitute a binding, written agreement to make an election under Section 336(e) of the Code with respect to the Separation. In connection with such election, Delta shall make an election under Treas. Reg. Section 1.1502-13(f)(5)(ii) with respect to the Distribution.
- (b) In the event that (i) the Separation fails to qualify as a tax-free transaction under Section 355 and/or Section 368(a)(1)(D) of the Code; (ii) Delta is not entitled to indemnification for the resulting Taxes under Section 4.2; and (iii) Delta is not the Breaching Party, Delta shall be entitled to payments from Ultra equal to the Tax savings if, as and when realized in cash (or in a reduction in Taxes otherwise owed) by the Ultra Group arising from the step up in Tax basis (including, for the avoidance of doubt, any such step up attributable to payments made pursuant to this Section 4.4) resulting from the Protective 336 Election, determined on a "with and without" basis (treating any deductions or amortization attributable to the step up in Tax basis resulting from the Protective 336 Election, or any other recovery of such step up, as the last items claimed for any taxable year, including after the utilization of any available net operating loss carryforwards) (the amount such Tax savings to the Ultra Group, the "**Ultra Tax Savings**"); provided, that, to the extent that the step up in Tax basis resulting from the Protective 336 Election is reduced pursuant to a Proceeding, Delta shall promptly repay to Ultra an amount equal to any Ultra Tax Savings previously paid to Delta that is attributable to such reduction. Ultra shall pay, or cause to be paid, to Delta any amount in respect of Ultra Tax Savings within thirty (30) days of filing any Tax Return for the period in which an Ultra Tax Savings is realized. Delta shall bear one-half of the reasonable expenses incurred by Ultra in connection with determining the Ultra Tax Savings, which expenses shall in no event exceed the Ultra Tax Savings. Notwithstanding anything to the contrary in this Section 4.4(b), in no event will Ultra be required to pay any amounts in respect of any Ultra Tax Savings (x) if such payments would place Ultra or the Ultra Group in a worse after-Tax position than it would have occupied had the Protective Section 336 Election not been made or (y) to the extent such Ultra Tax Savings exceed the actual cash Tax liability paid by Delta as a result of the Separation failing to qualify as a tax-free transaction under Section 355 and/or Section 368(a)(1)(D) of the Code.

5. MISCELLANEOUS

5.1 Notices

All notices, requests, claims, demands and other communications under this Agreement shall be made and delivered in conformity with Section [10.6] of the Separation and Distribution Agreement.

5.2 Amendment and Waiver

This Agreement may be terminated, modified or amended at any time by an agreement in writing signed by Delta and Ultra. In the event of such termination prior to the Effective Time, no Party shall have any liability of any kind to the other Party or any other Person. No failure to exercise and no delay in exercising, on the part of any Party, any right, remedy, power or privilege hereunder shall operate as a waiver hereof or thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

5.3 Entire Agreement

This Agreement shall constitute the entire agreement between the Parties with respect to the subject matter hereof and shall supersede all previous negotiations, commitments, course of dealings and writings with respect to such subject matter. To the extent any provision of this Agreement conflicts with the provisions of the Separation and Distribution Agreement (other than Sections [10.10] and [10.15(b)] thereof), the provisions of this Agreement shall be deemed to control with respect to the subject matter hereof.

5.4 Assignment; Successors and Assigns

This Agreement shall not be assignable, in whole or in part, directly or indirectly, by any Party hereto without the prior written consent of the other Party (not to be unreasonably withheld or delayed), and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be void. Notwithstanding the foregoing, this Agreement shall be assignable in whole in connection with a merger or consolidation or the sale of all or substantially all the assets of a Party hereto so long as the resulting, surviving or transferee entity assumes all the obligations of the relevant Party hereto by operation of law or pursuant to an agreement in form and substance reasonably satisfactory to the other Parties to this Agreement. No assignment permitted by this Section 5.4 shall release the assigning Party from liability for the full performance of its obligations under this Agreement. The provisions of this Agreement and the obligations and rights hereunder shall be binding upon, inure to the benefit of and be enforceable by (and against) the Parties and their respective successors and permitted transferees and assigns.

5.5 Severability

In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The Parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

5.6 Governing Law; Jurisdiction

This Agreement (and any claims or disputes arising out of or related thereto or to the transactions contemplated thereby or to the inducement of any Party to enter therein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall in all respects be governed by and construed in accordance with the Laws of the State of New York, including all matters of construction, validity and performance, in each case without reference to any choice-of-law or conflict of law principles that might lead to the application of the laws of any other jurisdiction. Subject to the provisions of Article [VIII] of the Separation and Distribution Agreement, each of the Parties irrevocably submits to the exclusive jurisdiction of (a) the Fairfax County Circuit Court and any appeals courts thereof or (b) the United States District Court for the Eastern District of Virginia and any appeals courts thereof (the courts referred to in clauses (a) and (b), the “**Virginia Courts**”), for the purposes of any suit, action or other proceeding to compel arbitration or for provisional relief in aid of arbitration in accordance with Article [VII] of the Separation and Distribution Agreement or to prevent irreparable harm, and to the non-exclusive jurisdiction of the Virginia Courts for the enforcement of any award issued thereunder. Each of the Parties further agrees that service of any process, summons, notice or document by U.S. registered mail to such Party’s respective address set forth in Section [10.6] of the Separation and Distribution Agreement shall be effective service of process for any action, suit or proceeding in the Virginia Courts with respect to any matters to which it has submitted to jurisdiction in this Section 5.6. Each of the Parties irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in the Virginia Courts, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

5.7 Waiver of Jury Trial

EACH OF THE PARTIES HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES HEREBY (a) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (b) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 5.7.

5.8 Counterparts

This Agreement may be executed in more than one counterpart, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the Parties and delivered to each of the Parties.

5.9 Third Party Beneficiaries

This Agreement is solely for the benefit of the Parties and should not be deemed to confer upon third parties (other than indemnified third parties) any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

5.10 Force Majeure

No Party (or any Person acting on its behalf) shall have any liability or responsibility for failure to fulfill any obligation (other than a payment obligation) under this Agreement, so long as and to the extent to which the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event (a) notify the other applicable Parties of the nature and extent of any such Force Majeure condition and (b) use due diligence to remove any such causes and resume performance under this Agreement as soon as feasible.

5.11 Double Recovery

Nothing in this Agreement is intended to confer to or impose upon any Party a duplicative right, entitlement, obligation or recovery with respect to any matter arising out of the same facts and circumstances.

5.12 Title and Headings

Titles and headings to sections herein are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

5.13 Survival

Except as otherwise contemplated by this Agreement, the covenants and agreements contained herein to be performed following the Distribution shall survive the Effective Time in accordance with their respective terms.

5.14 Construction

The Parties have participated jointly in the negotiation and drafting of this Agreement. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting or causing any instrument to be drafted.

[Signature Page Follows]

SIGNATORY

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

DXC TECHNOLOGY COMPANY

By: _____
Name:
Title:

PERSPECTA INC.

By: _____
Name:
Title:

EMPLOYEE MATTERS AGREEMENT

DATED AS OF [●]

by and between

DXC TECHNOLOGY COMPANY

and

PERSPECTA INC.

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This **EMPLOYEE MATTERS AGREEMENT** (this “**Agreement**”) is dated as of [●] by and between [Delta], a Nevada corporation (“**Delta**”) and [Ultra], a [●] corporation (“**Ultra**”). Delta and Ultra are also referred to in this Agreement individually as a “**Party**” and collectively as the “**Parties**.”

WHEREAS:

- (A) Delta, acting through its direct and indirect Subsidiaries, currently conducts the Delta Business and the Ultra Business;
- (B) the Board of Directors of Delta (the “**Board**”) has determined that it would be appropriate, desirable and in the best interests of Delta and the stockholders of Delta to separate Delta into two separate, publicly traded companies, one for each of (i) the Delta Business, which shall be owned and conducted, directly or indirectly, by Delta and (ii) the Ultra Business, which shall be owned and conducted, directly or indirectly, by Ultra;
- (C) Delta and Ultra have entered into the Separation and Distribution Agreement by and between Delta and Ultra dated as of the date hereof (the “**Separation and Distribution Agreement**”), in connection with the separation of the Ultra Business from Delta and the Distribution of Ultra Common Stock to stockholders of Delta;
- (D) the Separation and Distribution Agreement also provides for the execution and delivery of certain other agreements, including this Agreement, in order to facilitate and provide for the separation of Ultra and its subsidiaries from Delta;
- (E) in order to ensure an orderly transition under the Separation and Distribution Agreement, it will be necessary for the Parties to allocate between them Assets, Liabilities and responsibilities with respect to certain employee compensation and benefit plans and programs, and certain other employment matters.

NOW, THEREFORE, in consideration of and subject to the premises and the mutual agreements, terms and conditions herein contained, the benefits to be derived therefrom and other good and valuable consideration, the receipt and the sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. DEFINITIONS

1.1 Definitions

As used in this Agreement, the following terms shall have the meanings set forth in this Section 1.1.

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

“**Agreement**” means this Employee Matters Agreement, together with all amendments, modifications, and changes hereto entered into pursuant to Section 11.9.

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

“**Benefit Management Records**” has the meaning set forth in Section 3.3(b).

“**Benefit Plan**” means any contract, agreement, policy, practice, program, plan, trust, commitment or arrangement providing for benefits, perquisites or compensation of any nature to any Employee, or to any family member, dependent, or beneficiary of any such Employee, including pension plans, thrift plans, deferred compensation plans, supplemental pension plans and welfare plans, and contracts, agreements, policies, practices, programs, plans, trusts, commitments and arrangements providing for terms of employment, fringe benefits, severance benefits, change in control protections or benefits, travel and accident, life, disability and accident insurance, tuition reimbursement, travel reimbursement, vacation, sick, personal or bereavement days, leaves of absences and holidays of Delta or Ultra, as applicable.

“**Board**” has the meaning set forth in the recitals of this Agreement.

“**Business Days**” means any day that is not a Saturday, a Sunday or any other day on which banks are required or authorized by Law to be closed in New York City or Virginia.

“**COBRA**” means the U.S. Consolidated Omnibus Budget Reconciliation Act of 1985, as codified at Section 601 et seq. of ERISA and at Section 4980B of the Code.

“**Code**” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder by the U.S. Department of the Treasury.

“**commercially reasonable efforts**” shall have the meaning set out in Section 1.2(m)

“**Delta**” has the meaning set forth in the preamble to this Agreement.

“**Delta Benefit Plan**” means any Benefit Plan sponsored or maintained by a member of the Delta Group immediately prior to the Effective Time, excluding any Benefit Plan that is an Ultra Benefit Plan following the Distribution.

“**Delta Bonus Plans**” means the Delta Employee Incentive Compensation Plan, the Delta Sales Incentive Compensation Plan and the Delta Success Sharing Plan.

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

“**Delta Common Stock**” means the common stock, par value \$[●] per share, of Delta.

“**Delta Deferred Compensation Plans**” means the Delta Deferred Compensation Plan.

“**Delta Director**” means any individual who is or was previously a non-employee member of the board of directors of Delta.

“**Delta Entity**” means any member of the Delta Group.

“**Delta Equity Plans**” means the Delta 2017 Omnibus Incentive Plan and the Delta 2017 Non-Employee Director Incentive Plan.

“**Delta Group**” has the meaning set forth in the Separation and Distribution Agreement.

“**Delta Group Employee**” means any individual who is employed by a member of the Delta Group immediately prior to the Effective Time, excluding any Ultra Group Employee.

“Delta Options” means exercisable and non-exercisable options to purchase shares of Delta Common Stock granted pursuant to the Delta Equity Plans.

“Delta Pre-Distribution Stock Value” means the average closing per share price of Delta Common Stock over the five trading days ending on the Distribution Date based on “regular way” trading on the NYSE during Regular Trading Hours.

“Delta PSUs” means performance-based restricted stock units granted under the Delta Equity Plans.

“Delta RSUs” means restricted stock units granted under the Delta Equity Plans, other than Delta PSUs.

“Delta Welfare Plan” means any Welfare Plan sponsored or maintained by any one or more members of the Delta Group as of immediately prior to the Effective Time.

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

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

“Effective Time” means the effective time of the Distribution.

“Employee” means any Delta Group Employee, Former Delta Group Employee or Ultra Group Employee.

“ERISA” means the U.S. Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

“FICA” has the meaning set forth in Section 3.1(g).

“FMLA” means the U.S. Family and Medical Leave Act, as amended, and the regulations promulgated thereunder.

“Form 10” has the meaning set forth in the Separation and Distribution Agreement.

“Former Delta Group Employee” means all former employees of Delta or any of its Subsidiaries who have an employment end date on or before the Effective Time (other than any such employees who have an employment end date due to transfer to a member of the Ultra Group in connection with the Distribution).

“FSA Participation Period” has the meaning set forth in Section 7.3(a)(i).

“FUTA” has the meaning set forth in Section 3.1(g).

“HIPAA” means the Health Insurance Portability and Accountability Act of 1996, as amended, and the regulations promulgated thereunder.

“HSA Participation Period” has the meaning set forth in Section 7.3(b).

“IRS” means the Internal Revenue Service.

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

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

“**MAP**” means the Delta Matched Asset Plan.

“**MAP Beneficiaries**” has the meaning set forth in Section 5.3(a).

“**NYSE**” means the New York Stock Exchange.

“**Party**” or “**Parties**” has the meaning set forth in the preamble to this Agreement.

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

“**Privacy Contract**” means any contract entered into in connection with applicable privacy protection Laws or regulations.

“**Regular Trading Hours**” means the period beginning at 9:30 A.M. New York City time and ending at 4:00 P.M. New York City time.

“**Securities Act**” means the Securities Exchange Act of 1934.

“**Separation and Distribution Agreement**” has the meaning set forth in the recitals to this Agreement.

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

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

“**Trading Day**” means the period of time during any given calendar day, commencing with the determination of the opening price on the NYSE and ending with the determination of the closing price on the NYSE, in which trading and settlement in shares of Delta Common Stock or Ultra Common Stock is permitted on the NYSE.

“**Transition Services Agreement**” has the meaning set forth in the Separation and Distribution Agreement.

“**Ultra**” has the meaning set forth in the preamble to this Agreement.

“**Ultra 401(k) Plan**” has the meaning set forth in Section 5.1.

“**Ultra 401(k) Plan Beneficiaries**” has the meaning set forth in Section 5.2.

“**Ultra Benefit Plan**” means each Benefit Plan sponsored or maintained by a member of the Ultra Group immediately following the Effective Time.

“**Ultra Bonus Plans**” has the meaning set forth in Section 4.7(a).

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

“**Ultra Common Stock**” means the common stock, par value \$[●] per share, of Ultra.

“**Ultra Deferred Compensation Plan Beneficiary**” has the meaning set forth in Section 6.1(a).

“Ultra Deferred Compensation Plan” has the meaning set forth in Section 6.1(a).

“Ultra Director” means any individual who is a non-employee member of the board of directors of Ultra immediately after the Effective Time.

“Ultra Entity” means any member of the Ultra Group.

“Ultra Equity Plan” means the plan adopted by Ultra prior to the Effective Time and approved by the sole stockholder of Ultra, under which the Ultra equity-based awards described in Section 4 shall be issued.

“Ultra FSA” has the meaning set forth in Section 7.3(a).

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

“Ultra Group Employee” means each individual who is either employed by a member of the Ultra Group immediately prior to the Effective Time or whose employment will be transferred from the Delta Group to the Ultra Group as of the Effective Time (as determined in good faith by Delta).

“Ultra HSA” has the meaning set forth in Section 7.3(b).

“Ultra Option” has the meaning set forth in Section 4.2(b).

“Ultra Post-Distribution Stock Value” means the average closing per share price of Ultra Common Stock based on the “when-issued” trading basis over the five (5) trading days immediately preceding the Distribution Date.

“Ultra PSU” means performance-based restricted stock units granted under the Ultra Equity Plan.

“Ultra Ratio” means the quotient obtained by dividing the Ultra Post-Distribution Stock Value by the Delta Pre-Distribution Stock Value.

“Ultra RSU” means restricted stock units granted under the Ultra Equity Plan, other than Ultra PSUs.

“Ultra Welfare Plan” means any Welfare Plan sponsored or maintained by any one or more members of the Ultra Group following the Effective Time.

“Ultra Welfare Plan Participants” has the meaning set forth in Section 7.1.

“U.S.” means the United States of America.

“WARN” means the U.S. Worker Adjustment and Retraining Notification Act, as amended, and the regulations promulgated thereunder, and any applicable state or local Law equivalent.

“Welfare Plan” means, where applicable, a “welfare plan” (as defined in Section 3(1) of ERISA) or a “cafeteria plan” under Section 125 of the Code, and any benefits offered thereunder, to any Employee, or to any family member, dependent or beneficiary of any such Employee, including any other plan offering health benefits (including medical, prescription drug, dental, vision, and mental health and substance abuse), disability benefits, or life, accidental death and disability, and business travel insurance, pre-tax premium conversion benefits, dependent care assistance programs, employee assistance programs, paid time off programs, contribution funding toward a health savings account, flexible spending accounts, or cashable credits of Delta or Ultra, as applicable.

1.2 Interpretation

In this Agreement, unless the context clearly indicates otherwise:

- (a) words used in the singular include the plural and words used in the plural include the singular;
- (b) if a word or phrase is defined in this Agreement, its other grammatical forms, as used in this Agreement, shall have a corresponding meaning;
- (c) reference to any gender includes the other gender and the neuter;
- (d) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation”;
- (e) the words “shall” and “will” are used interchangeably and have the same meaning;
- (f) the word “or” shall have the inclusive meaning represented by the phrase “and/or”;
- (g) relative to the determination of any period of time, “from” means “from and including,” “to” means “to but excluding” and “through” means “through and including”;
- (h) all references to a specific time of day in this Agreement shall be based upon Eastern Standard Time or Eastern Daylight Saving Time, as applicable, on the date in question;
- (i) whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified;
- (j) accounting terms used herein shall have the meanings historically ascribed to them by Delta and its Subsidiaries, including Ultra for this purpose, in its and their internal accounting and financial policies and procedures in effect immediately prior to the date of this Agreement;
- (k) reference to any Article or Section means such Article or Section of this Agreement, as the case may be, and references in any Section or definition to any clause means such clause of such Section or definition;
- (l) the words “this Agreement,” “herein,” “hereunder,” “hereof,” “hereto” and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Section or other provision of this Agreement;
- (m) the term “commercially reasonable efforts” means efforts which are commercially reasonable to enable a Party, directly or indirectly, to satisfy a condition to or otherwise assist in the consummation of a desired result and that do not require the performing Party to expend funds or assume Liabilities other than expenditures and Liabilities that are customary and reasonable in nature and amount in the context of a series of related transactions similar to the Distribution;

- (n) reference to any agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and not prohibited by this Agreement;
- (o) reference to any Law (including statutes and ordinances) means such Law (including any and all rules and regulations promulgated thereunder) as amended, modified, codified or reenacted, in whole or in part, and in effect at the time of determining compliance or applicability;
- (p) references to any Person include such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement; a reference to such Person's "Affiliates" shall be deemed to mean such Person's Affiliates following the Distribution and any reference to a third party shall be deemed to mean a Person who is not a Party or an Affiliate of a Party;
- (q) unless otherwise specified in this Agreement, all references to dollar amounts herein shall be in respect of lawful currency of the U.S.;
- (r) the titles to Articles and headings of Sections contained in this Agreement and in the table of contents to this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of or to affect the meaning or interpretation of this Agreement; and
- (s) any portion of this Agreement obligating a Party to take any action or refrain from taking any action, as the case may be, shall mean that such Party shall also be obligated to cause its relevant Subsidiaries to take such action or refrain from taking such action, as the case may be.

2. GENERAL PRINCIPLES FOR ALLOCATION OF LIABILITIES

2.1 General Principles

Each member of the Delta Group and each member of the Ultra Group shall take any and all reasonable action as shall be necessary or appropriate so that active participation in the Delta Benefit Plans by all Ultra Group Employees shall terminate in connection with the Distribution as and when provided under this Agreement (or if not specifically provided under this Agreement, as of the Effective Time).

- (a) Except as otherwise provided in this Agreement, effective as of the Effective Time, one or more members of the Ultra Group (as determined by Ultra) shall assume or continue the sponsorship of, and no member of the Delta Group shall have any further Liability with respect to or under, and Ultra shall indemnify each member of the Delta Group, and the officers, directors, and employees of each member of the Delta Group, and hold them harmless with respect to any and all:
 - (i) individual agreements entered into between any member of the Delta Group and any Ultra Group Employee;
 - (ii) agreements entered into between any member of the Delta Group and any individual who is an independent contractor to the extent that any such Liability relates to services provided for the business activities of the Ultra Group or the Ultra Business;
 - (iii) wages, salaries, incentive compensation (as the same may be modified by this Agreement), commissions, bonuses, and any other employee compensation or benefits payable to or on behalf of any Ultra Group Employees after the Distribution Date, with respect to such wages, salaries, incentive compensation, commissions, bonuses, or other employee compensation or benefits earned after the Distribution Date;

- (iv) moving expenses and obligations related to relocation, repatriation, expatriation, transfers or similar items incurred by or owed to any Ultra Group Employees, but only to the extent such items are incurred after the Distribution Date;
 - (v) immigration-related, visa, work application or similar rights, obligations and Liabilities related to any Ultra Group Employees incurred, or in respect of service, following the Distribution Date; and
 - (vi) Liabilities and obligations whatsoever with respect to claims made by or with respect to any Ultra Group Employees in connection with any Benefit Plan not otherwise retained or assumed by any member of the Delta Group pursuant to this Agreement, including such Liabilities relating to actions or omissions of or by any member of the Ultra Group or any officer, director, employee or agent thereof on or prior to the Distribution Date.
- (b) Except as otherwise provided in this Agreement, effective as of the Effective Time, no member of the Ultra Group shall have any further Liability for, and Delta shall indemnify each member of the Ultra Group, and the officers, directors, and employees of each member of the Ultra Group, and hold them harmless with respect to any and all Liabilities and obligations whatsoever with respect to, claims made by or with respect to any Delta Group Employees or Former Delta Group Employees in connection with any Benefit Plan retained or assumed by any member of the Ultra Group pursuant to this Agreement, including such Liabilities relating to actions or omissions of or by any member of the Delta Group or any officer, director, employee or agent thereof on, prior to or after the Distribution Date.

2.2 Service Credit

- (a) Service for Eligibility, Vesting, and Benefit Purposes. Except as otherwise provided in any other provision of this Agreement, and except to the extent the following would result in duplication of benefits, the Ultra Benefit Plans shall, and Ultra shall cause each member of the Ultra Group to, recognize each Ultra Group Employee's full service history with the Delta Group for purposes of eligibility, vesting, determination of level of benefits and, to the extent applicable, benefit accruals under any Ultra Benefit Plan for such Ultra Group Employee's service with any member of the Delta Group on or prior to the Effective Time to the same extent such service would be credited under the Delta Benefit Plans. Notwithstanding the foregoing, except as otherwise specifically set forth below or in the applicable Benefit Plan document, service with any member of the Delta Group from and after the Distribution shall not be taken into account for any purpose under any Benefit Plan sponsored and maintained by the Ultra Group. Similarly, except as otherwise specifically set forth below or in the applicable Benefit Plan document, service with any member of the Ultra Group from and after the Distribution shall not be taken into account for any purpose under any Benefit Plan sponsored and maintained by the Delta Group.
- (b) Evidence of Prior Service. Notwithstanding anything to the contrary, but subject to applicable Law, upon reasonable request by one Party to the other Party, the first Party will provide to the other Party copies of any records available to the first Party to document such service, plan participation and membership of such Employees and cooperate with the first Party to resolve any discrepancies or obtain any missing data for purposes of determining benefit eligibility, participation, vesting and calculation of benefits with respect to any Employee.

2.3 Plan Administration

- (a) Transition Services. The Parties acknowledge that the Delta Group or the Ultra Group may provide administrative services for certain of the other Party's benefit programs for a transitional period under the terms of the Transition Services Agreement. The Parties agree to enter into a business associate agreement (if required by HIPAA or other applicable health information privacy Laws) in connection with such Transition Services Agreement.
- (b) Participant Elections and Beneficiary Designations. All participant elections and beneficiary designations made under any Benefit Plan sponsored by a member of the Delta Group prior to the Effective Time with respect to which Assets or Liabilities are transferred or allocated to plans maintained by a member of the Ultra Group in accordance with this Agreement shall continue in effect under the applicable Ultra plan, including deferral, investment and payment form elections, dividend elections, coverage options and levels, beneficiary designations and the rights of alternate payees under qualified domestic relations orders, to the extent allowed by applicable Law and otherwise determined appropriate by Delta and Ultra.
- (c) No Duplication or Acceleration of Benefits. Notwithstanding anything to the contrary in this Agreement, the Separation and Distribution Agreement or any other contractual agreement or arrangement, no participant in any Ultra Benefit Plan shall receive benefits that duplicate benefits provided by the corresponding Delta Benefit Plan or arrangement. Furthermore, unless expressly provided for in this Agreement, the Separation and Distribution Agreement or in any other contractual agreement or arrangement or required by applicable Law, no provision in this Agreement shall be construed to create any right to accelerate vesting or entitlements to any compensation or Benefit Plan on the part of any Delta Group Employee, Former Delta Group Employee or Ultra Group Employee.
- (d) No Expansion of Participation. Unless otherwise expressly provided in this Agreement, as otherwise determined or agreed to by Delta and Ultra, as required by applicable Law, or as explicitly set forth in an Ultra Benefit Plan, an Ultra Group Employee shall be entitled to participate in the Ultra Benefit Plans only to the extent that such Employee was entitled to participate in the corresponding Delta Benefit Plan as in effect immediately prior to the Effective Time, it being the intent of the Parties that this Agreement not result in any expansion of the number of Ultra Group Employees participating or the participation rights therein that they had prior to the Effective Time.

2.4 Severance

Delta shall have no Liability or obligation under any Delta severance plan or policy with respect to Ultra Group Employees who did not have a termination of employment event giving rise to severance on or prior to the Effective Time. Subject to any obligations under any individual agreement or collective bargaining agreement, Delta shall remain liable for all severance to be paid to any Ultra Group Employee (or any other person who would be an Ultra Group Employee if such individual was employed by Ultra Group or Delta Group at the Effective Time) if and to the extent the termination of employment event giving rise to severance occurred on or prior to the Effective Time and Ultra Group shall be liable for all severance to be paid to any Ultra Group Employee if and to the extent the termination of employment event giving rise to the severance occurs following the Effective Time.

3. ASSIGNMENT OF EMPLOYEES

3.1 Employees

- (a) Ultra Group Employees. Except as otherwise set forth in this Agreement, effective not later than immediately following the Effective Time, the employment of each Ultra Group Employee shall be continued by a member of the Ultra Group or shall be assigned and transferred to a member of the Ultra Group (in each case, with such member as determined by Ultra). Each of the Parties agrees to execute, and to seek to have the applicable employees execute, such documentation, if any, as may be necessary to reflect such assignments and transfers.
- (b) Delta Group Employees. Except as otherwise set forth in this Agreement, effective not later than immediately following the Effective Time, the employment of each Delta Group Employee shall be continued by a member of the Delta Group or shall be assigned and transferred to a member of the Delta Group (in each case as determined by Delta). Each of the Parties agrees to execute, and to seek to have the applicable employees execute, such documentation, if any, as may be necessary to reflect such assignments and transfers.
- (c) At-Will Status. Notwithstanding the above or any other provision of this Agreement, nothing in this Agreement shall create any obligation on the part of any member of the Delta Group or any member of the Ultra Group to (i) continue the employment of any Employee or permit the return from a leave of absence for any period following the date of this Agreement or the Effective Time (except as required by applicable Law) or (ii) change the employment status of any Employee from “at will,” to the extent such Employee is an “at will” employee under applicable Law.
- (d) Assumption. Upon and following the Effective Time, Ultra Group shall assume and agree to be bound by all the terms and provisions of the collective bargaining agreements listed on Exhibit A.
- (e) Severance. The Parties acknowledge and agree that the Distribution and the assignment, transfer or continuation of the employment of Employees as contemplated by this Section 3.1 shall not be deemed a severance of employment of any Employee for purposes of this Agreement or any Benefit Plan of any member of the Delta Group or any member of the Ultra Group.
- (f) Not a Change of Control/Change in Control. The Parties acknowledge and agree that neither the consummation of the Distribution nor any transaction in connection with the Distribution shall be deemed a “change of control,” “change in control,” or term of similar import for purposes of any Benefit Plan of any member of the Delta Group or any member of the Ultra Group.
- (g) Payroll and Related Taxes. With respect to the portion of the tax year occurring prior to and including the Effective Time, Delta will (i) be responsible for all payroll obligations, tax withholding and reporting obligations and (ii) furnish a Form W-2 or similar earnings statement to all Ultra Group Employees for such period. With respect to the remaining portion of such tax year, Ultra will (A) be responsible for all payroll obligations, tax withholding, and reporting obligations regarding Ultra Group Employees and (B) furnish a Form W-2 or similar earnings statement to all Ultra Group Employees. With respect to each Ultra Group Employee, Delta and Ultra shall, and shall cause their respective Affiliates to (to the extent permitted by applicable Law and practicable) (1) treat Ultra (or the applicable Ultra Entity) as a “successor employer” and Delta (or the applicable Delta Entity) as a “predecessor,” within the meaning of Sections 3121(a)(1) and 3306(b)(1) of the Code, to the extent appropriate, for purposes of taxes imposed under the United States Federal Insurance Contributions Act, as amended (“FICA”), or the

United States Federal Unemployment Tax Act, as amended (“FUTA”), (2) cooperate with each other to avoid, to the extent possible, the restart of FICA and FUTA upon or following the Effective Time with respect to each such Ultra Group Employee for the tax year during which the Effective Time occurs, and (3) file tax returns, exchange wage payment information, and report wage payments made by the respective predecessor and successor employer on separate IRS Forms W-2 or similar earnings statements to each such Ultra Group Employee for the tax year in which the Effective Time occurs, in a manner provided in Section 4.02(1) of Revenue Procedure 2004-53.

- (h) Employment Contracts; Expatriate Obligations. Ultra will assume and honor, or will cause an Ultra Entity to assume and honor, any agreements to which any Ultra Group Employee is party with either any Delta Entity or any joint venture with a Delta Entity, including any (i) employment contract, (ii) retention, severance or change of control arrangement, or (iii) expatriate (including any international assignee) contract or arrangement (including agreements and obligations regarding repatriation, expatriation, relocation, equalization of taxes and living standards in the host country). For purposes of the retention agreements, a transfer of employment to Ultra Group will not be deemed a termination of employment. Any reference to employment with a Delta Entity will be deemed to be a reference to employment with Ultra Group. In the event that an employee is obliged under a retention agreement to return all or part of a retention award upon the employee’s termination of employment, the employee’s employer at the time shall be entitled to receive the repayment of such award.

3.2 Employment Law Obligations

- (a) WARN. After the Effective Time, (i) Delta shall be responsible for providing any necessary WARN notice (and meeting any similar state Law notice requirements) with respect to any termination of employment of any Delta Group Employee and (ii) Ultra shall be responsible for providing any necessary WARN notice (and meeting any similar state Law notice requirements) with respect to any termination of employment of any Ultra Group Employee. During the ninety (90)-day period following the Distribution Date, (A) Delta will provide written notice to Ultra as soon as practicable after the occurrence of any “employment loss” experienced by a Delta Group Employee at a single site of employment that includes both Delta Group Employees and Ultra Group Employees and (B) Ultra will provide written notice to Delta as soon as practicable after the occurrence of any “employment loss” experienced by an Ultra Group Employee at a single site of employment that includes both Delta Group Employees and Ultra Group Employees.
- (b) Compliance with Employment Laws. At and after the Effective Time, (i) each member of the Delta Group shall be responsible for adopting and maintaining any policies or practices, and for all other actions and inactions, necessary to comply with employment-related Laws and requirements relating to the employment of Delta Group Employees and the treatment of any applicable Former Delta Group Employees in respect of their former employment and (ii) each member of the Ultra Group shall be responsible for adopting and maintaining any policies or practices, and for all other actions and inactions, necessary to comply with employment-related Laws and requirements relating to the employment of Ultra Group Employees.

3.3 Employee Records

- (a) Sharing of Information. Subject to any limitations imposed by applicable Law, Delta and Ultra (acting directly or through members of the Delta Group or the Ultra Group, respectively) shall provide to the other and their respective agents and vendors all information necessary for the Parties to perform their respective duties under this Agreement. The Parties also hereby agree to enter into any business associate arrangements that may be required for the sharing of any information pursuant to this Agreement to comply with the requirements of HIPAA.

- (b) Transfer of Personnel Records and Authorization. Subject to any limitation imposed by applicable Law, on the Distribution Date, Delta shall transfer and assign to Ultra all personnel records, all immigration documents, including I-9 forms and work authorizations, all payroll deduction authorizations and elections, whether voluntary or mandated by Law, including but not limited to W-4 forms and deductions for benefits under the applicable Ultra Benefit Plan and all absence management records, FMLA records, insurance beneficiary designations, flexible spending account enrollment confirmations, and attendance and return to work information (“**Benefit Management Records**”) relating to Ultra Welfare Plan Participants. Subject to any limitations and requirements imposed by applicable Law, Delta, however, may retain originals of, copies of, or access to, personnel records, immigration records, payroll forms and Benefit Management Records as long as necessary to provide services to Ultra (acting on its behalf pursuant to the Transition Services Agreement between the Parties entered into as of the date of this Agreement). Immigration records will, if and as appropriate, become a part of Ultra’s public access file. Ultra will use personnel records, payroll forms and Benefit Management Records for lawful purposes only, including calculation of withholdings from wages and personnel management. It is understood that following the Distribution Date, Delta records so transferred and assigned may be maintained by Ultra (acting directly or through one of its Subsidiaries) pursuant to Ultra’s applicable records retention policy.
- (c) Access to Records. To the extent not inconsistent with this Agreement and any applicable privacy protection Laws or regulations or Privacy Contracts, reasonable access to Employee-related records after the Distribution Date will be provided to members of the Delta Group and members of the Ultra Group pursuant to the terms and conditions of Section 8.2(b) of the Separation and Distribution Agreement. In addition, notwithstanding anything to the contrary, Ultra shall provide Delta with reasonable access to those records necessary for its administration of any plans or programs on behalf of Delta Group Employees and Former Delta Group Employees after the Distribution Date as permitted by any applicable privacy protection Laws or regulations or Privacy Contracts. Delta shall also be permitted to retain copies of all restrictive covenant agreements with any Ultra Group Employee in which any member of the Delta Group has a valid business interest. In addition, Delta shall provide Ultra with reasonable access to those records necessary for its administration of any plans or programs on behalf of Ultra Group Employees after the Distribution Date as permitted by any applicable privacy protection Laws or regulations or Privacy Contracts. Ultra shall also be permitted to retain copies of all restrictive covenant agreements with any Delta Group Employee or Former Delta Group Employee in which any member of the Ultra Group has a valid business interest.
- (d) Maintenance of Records. With respect to retaining, destroying, transferring, sharing, copying and permitting access to all Employee-related information, Delta and Ultra shall comply with all applicable Laws, regulations and internal policies, and shall indemnify and hold harmless each other from and against any and all Liabilities, claims, actions, and damages that arise from a failure (by the indemnifying party or its Subsidiaries or their respective agents) to so comply with all applicable Laws, regulations, Privacy Contracts and internal policies applicable to such information.
- (e) Confidentiality. Except as otherwise set forth in this Agreement, all records and data relating to Employees shall, in each case, be subject to the confidentiality provisions of the Separation and Distribution Agreement and any other applicable agreement and applicable Law, and the provisions of this Section 3.3 shall be in addition to, and not in derogation of, the provisions of the Separation and Distribution Agreement governing confidential information, including Section 8.5 of the Separation and Distribution Agreement.

- (f) Cooperation. Each Party shall use commercially reasonable efforts to cooperate to share, retain, and maintain data and records that are necessary or appropriate to further the purposes of this Section 3.3 and for each Party to administer its respective Benefit Plans to the extent consistent with this Agreement and applicable Law, and each Party agrees to cooperate as long as is reasonably necessary to further the purposes of this Section 3.3. Except as provided under any contractual agreement or arrangement, no Party shall charge another Party a fee for such cooperation.

4. EQUITY AND INCENTIVE COMPENSATION PLANS

4.1 General Principles

- (a) Delta and Ultra shall take any and all reasonable actions as shall be necessary and appropriate to further the provisions of this Section 4, including, to the extent practicable, providing written notice or similar communication to each Employee who holds one or more awards granted under the Delta Equity Plans informing such Employee of (i) the actions contemplated by this Section 4 with respect to such awards and (ii) whether (and during what time period) any “blackout” period shall be imposed upon holders of awards granted under the Delta Equity Plans during which time awards may not be exercised or settled, as the case may be.
- (b) Following the Effective Time, a grantee who has outstanding awards under the Delta Equity Plans and/or replacement awards under the Ultra Equity Plan shall be considered to have been employed by the applicable plan sponsor before and after the Effective Time for purposes of (i) vesting and (ii) determining the date of termination of employment as it applies to any such award. Neither the transfer of employment or service to an Ultra Entity nor the Distribution shall constitute a “termination” under the Delta Equity Plans.
- (c) No award described in this Section 4, whether outstanding or to be issued, adjusted, substituted or cancelled by reason of or in connection with the Distribution, shall be adjusted, settled, cancelled, or become exercisable, until in the judgment of the administrator of the applicable plan or program such action is consistent with all applicable Laws, including federal securities Laws. Any period of exercisability will not be extended on account of a period during which such an award is not exercisable pursuant to the preceding sentence.
- (d) The adjustment or conversion of Delta Options, Delta RSUs and Delta PSUs shall be effected in a manner that is intended, to the maximum extent permitted by law, to avoid the imposition of any accelerated, additional, penalty or other taxes or loss of deductions thereof on the holders thereof pursuant to Section 409A of the Code or Ultra or Delta pursuant to Section 162(m) of the Code.
- (e) Following the Effective Time, any reference to a “change in control,” “change of control,” “change in effective control,” “change in the ownership of a substantial portion of the assets,” “change in ownership,” or similar definition in an award agreement, employment agreement, the Ultra Equity Plan or other Delta or Ultra plan or policy which pursuant to the terms of this Agreement is transferred to Ultra, such reference shall be deemed to refer to a “change in control,” “change of control,” “change in effective control,” “change in the ownership of a substantial portion of the assets,” “change in ownership,” or similar event relating to Ultra.

4.2 Employee Stock Options

- (a) General Principles. To the extent applicable, the adjustments provided for in this Section 4.2 with respect to the Delta Options are intended to be effected in a manner compliant with Section 424(a) of the Code.
- (b) Delta Options. Each outstanding Delta Option held by an Ultra Group Employee at the Effective Time, whether vested or unvested, shall be converted into an option to purchase Ultra Common Stock issued under the Ultra Equity Plan (each such Option, an “**Ultra Option**”), subject to terms and conditions after the Effective Time that are substantially similar to the terms and conditions applicable to the corresponding Delta Option immediately prior to the Effective Time, and shall be adjusted pursuant to Section 4.2(b)(i) and (ii) below.
 - (i) The number of shares of Ultra Common Stock subject to each such Ultra Option shall be equal to (A) the number of shares of Delta Common Stock subject to the corresponding Delta Option immediately prior to the Effective Time divided by (B) the Ultra Ratio, with any fractional share rounded down to the nearest whole share; and
 - (ii) the per-share exercise price of each such Ultra Option shall be equal to (A) the per-share exercise price of the corresponding Delta Option immediately prior to the Effective Time multiplied by (B) the Ultra Ratio, rounded up to the nearest whole cent.

4.3 Restricted Stock Units

Each outstanding Delta RSU held by an Ultra Group Employee at the Effective Time shall be converted into an Ultra RSU, subject to terms and conditions after the Effective Time that are substantially similar to the terms and conditions applicable to the corresponding Delta RSU immediately prior to the Effective Time. However, from and after the Effective Time, the number of shares of Ultra Common Stock subject to each such Ultra RSU shall be equal to (A) the number of shares of Delta Common Stock subject to the corresponding RSU immediately prior to the Effective Time divided by (B) the Ultra Ratio, with any fractional share rounded down to the nearest whole share.

4.4 Performance Stock Units

- (a) Each outstanding Delta PSU held by an Ultra Group Employee at the Effective Time shall be converted into an Ultra PSU, subject to terms and conditions (including performance conditions) after the Effective Time that are substantially similar to the terms and conditions applicable to the corresponding Delta PSU immediately prior to the Effective Time. However, from and after the Effective Time, the number of shares of Ultra Common Stock subject to each such Ultra PSU shall be equal to (A) the number of shares of Delta Common Stock subject to the corresponding PSU immediately prior to the Effective Time divided by (B) the Ultra Ratio, with any fractional share rounded down to the nearest whole share.

4.5 Section 16(b) of the Securities Act; Code Sections 162(m) and 409A

- (a) By approving the adoption of this Agreement, the respective Boards of Directors of each of Delta and Ultra intend to exempt from the short-swing profit recovery provisions of Section 16(b) of the Securities Act, by reason of the application of Rule 16b-3 thereunder, all acquisitions and dispositions of equity incentive awards by directors and officers of each of Delta and Ultra, and the respective Boards of Directors of Delta and Ultra also intend expressly to approve, in respect of any equity-based award, the

use of any method for the payment of an exercise price and the satisfaction of any applicable Tax withholding (specifically including the actual or constructive tendering of shares in payment of an exercise price and the withholding of option shares from delivery in satisfaction of applicable Tax withholding requirements) to the extent such method is permitted under the Delta Equity Plans, Ultra Equity Plan and any award agreement.

- (b) Notwithstanding anything in this Agreement to the contrary (including the treatment of supplemental and deferred compensation plans, outstanding long-term incentive awards and annual incentive awards as described herein), Delta and Ultra agree to negotiate in good faith regarding the need for any treatment different from that otherwise provided herein to ensure that (i) a federal income tax deduction for the payment of any supplemental or deferred compensation or long-term incentive award, annual incentive award or other compensation is, to the extent prescribed under the terms of the applicable plan and award agreement, not limited by reason of Section 162(m) of the Code, and (ii) the treatment of any supplemental or deferred compensation or long-term incentive award, annual incentive award or other compensation does not cause the imposition of a penalty tax under Section 409A of the Code.

4.6 Liabilities for Settlement of Ultra Awards

Ultra shall be responsible for all Liabilities associated with Ultra Options, Ultra RSUs and Ultra PSUs, including any option exercise, share delivery, registration or other obligations related to the exercise of the Ultra Options or the settlement of the Ultra RSUs and Ultra PSUs. Delta shall be responsible for all Liabilities associated with Delta Options, Delta RSUs and Delta PSUs (other than Delta Options, Delta RSUs and Delta PSUs which have converted into Ultra Options, Ultra RSUs and Ultra PSUs, respectively), including any option exercise, share delivery, registration or other obligations related to the exercise of such Delta Options or the settlement of such Delta RSUs and Delta PSUs.

4.7 Bonus Payments

- (a) Ultra Bonus Plans. Not later than the Effective Time, Ultra shall, or shall cause another Ultra Entity to, adopt a plan or plans that will provide annual bonuses for Ultra Group Employees transferred from the Delta Group to the Ultra Group (the “**Ultra Bonus Plans**”) that are substantially equivalent to the Delta Bonus Plans, subject to Ultra’s right to amend such plan after the Effective Time in accordance with the terms thereof. The Ultra Bonus Plans shall be approved prior to the Effective Time by the sole stockholder of Ultra, and Ultra Group Employees shall participate in such Ultra Bonus Plans immediately following the Effective Time; provided, however, that service with Delta shall be credited for the purposes of determining whether such Ultra Group Employee had been a participant in the Ultra Bonus Plans during the applicable performance period.
- (b) Adjusted Delta Group Bonuses. Annual bonuses shall be paid at the time such bonuses and incentives would otherwise have been paid in the ordinary course had the Distribution not occurred, in accordance with the terms of the relevant annual bonus program and subject to the continued employment of the recipient. The performance targets for any Delta Group annual bonus opportunities in effect immediately prior to the Effective Time shall be equitably adjusted (as determined by Delta in its discretion (subject to Section 4.5(b)) for any performance period following the Effective Time.
- (c) Allocation of Bonus Responsibility. For the avoidance of doubt, (i) the Ultra Group shall be solely responsible for funding, paying, and discharging all obligations relating to any annual cash incentive awards that any Ultra Group Employee is eligible to receive (A) under any Ultra Group annual bonus plans with respect to payments made beginning at or after the Effective Time, including the Ultra Bonus

Plans, and (B) in accordance with Section 4.7(b) above, and no member of the Delta Group shall have any obligations with respect thereto and (ii) the Delta Group shall be solely responsible for funding, paying, and discharging all obligations relating to any annual cash incentive awards that any Delta Group Employee is eligible to receive under any Delta annual bonus plans with respect to payments made beginning at or after the Effective Time, and no member of the Ultra Group shall have any obligations with respect thereto.

4.8 Form S-8

As soon as reasonably practicable and subject to applicable Law, Ultra shall prepare and file with the Securities Exchange Commission a registration statement on Form S-8 (or another appropriate form) registering under the Securities Act the offering of a number of shares of Ultra Common Stock at a minimum equal to the number of shares available under the Ultra 401(k) Plan, Ultra RSUs, Ultra PSUs and Ultra Options.

4.9 Tax Reporting and Withholding for Ultra Equity Awards

Ultra (or one of its Subsidiaries) will be responsible for all income, payroll, or other tax withholding, reporting and remittance obligations related to any equity incentive award granted to Ultra Group Employees, including the Ultra Options, Ultra RSUs and Ultra PSUs.

4.10 Approval of the Ultra Equity Plan

Not later than the Effective Time, Ultra shall, or shall have caused an Ultra Entity to, have adopted the Ultra Equity Plan and taken any necessary and appropriate actions to enable Ultra and the Ultra Equity Plan to assume the awards converted pursuant to this Section 4. The Ultra Equity Plan shall be approved prior to the Effective Time by the sole stockholder of Ultra.

5. U.S. QUALIFIED RETIREMENT PLANS

5.1 Establishment of the Ultra 401(k) Plan

On or before the Effective Time, Ultra shall, or shall cause another Ultra Entity to, establish a defined contribution plan for the benefit of Ultra Group Employees (the “**Ultra 401(k) Plan**”), which, as of the date of its establishment, shall have terms that are substantially identical to the terms of the MAP. Ultra shall be responsible for taking all necessary, reasonable, and appropriate action to establish, maintain, and administer the Ultra 401(k) Plan so that it is qualified under Section 401(a) of the Code and that the related trust thereunder is exempt under Section 501(a) of the Code. Ultra (acting directly or through its Affiliates) shall be responsible for any and all Liabilities and other obligations with respect to the Ultra 401(k) Plan.

5.2 Transfer of MAP Assets and Liabilities

On or before the Effective Time (or such later time as mutually agreed by the Parties), Delta shall cause the accounts (including any outstanding loan balances) in the MAP attributable to Ultra Group Employees who will participate in the Ultra 401(k) Plan (the “**Ultra 401(k) Plan Beneficiaries**”) and all of the Assets and Liabilities in the MAP related thereto to be transferred in-kind to the Ultra 401(k) Plan, and Ultra shall cause the Ultra 401(k) Plan to accept such transfer of accounts and underlying Assets and Liabilities and, effective as of the date of such transfer, to assume and to fully perform, pay, and discharge, all obligations of the MAP relating to the accounts of the Ultra 401(k) Plan Beneficiaries (to

the extent the Assets and Liabilities related to those accounts are actually transferred from the MAP to the Ultra 401(k) Plan) as of the establishment of such plan. The transfer of Assets and Liabilities shall be conducted in accordance with Section 414(l) of the Code, Treasury Regulation Section 1.414(l)-1, and Section 208 of ERISA.

5.3 Treatment of Delta Common Stock and Ultra Common Stock

- (a) Ultra 401(k) Plan. The terms of the Ultra 401(k) Plan will provide, effective no later than the Effective Time: (i) for the establishment of a Delta Common Stock fund and an Ultra Common Stock fund, (ii) that shares of Delta Common Stock held in MAP accounts of Ultra 401(k) Plan Beneficiaries as of the date of transfer described in Section 5.2 of this Agreement shall be transferred in kind to the Delta Common Stock Fund under the Ultra 401(k) Plan, pursuant to Section 5.2 of this Agreement; (iii) that, immediately following the Effective Time, no new amounts may be invested in the Delta Common Stock fund and that additional shares of Delta Common Stock cannot be acquired by or held in the Ultra 401(k) Plan, other than through dividends; (iv) that the Ultra Common Stock fund under the Ultra 401(k) Plan shall receive a transfer of and hold all shares of Ultra Common Stock distributed in connection with the Distribution in respect of Delta Common Stock held in the accounts of Ultra 401(k) Plan Beneficiaries, and (v) that Ultra 401(k) Plan Beneficiaries shall be required to liquidate their holdings in the Delta Common Stock fund under the Ultra 401(k) Plan within twelve (12) months following the Effective Time, subject to the administrative provisions of the Ultra 401(k) Plan and the requirements of applicable Law, and invest those monies in any other investment fund offered under the Ultra 401(k) Plan.
- (b) Ultra Common Stock Held in MAP Accounts. The terms of the MAP will provide, effective no later than the Effective Time, for the establishment of an Ultra Common Stock fund. Shares of Ultra Common Stock distributed in connection with the Distribution in respect of shares of Delta Common Stock held in MAP accounts of Delta Group Employees or Former Delta Group Employees who participate in the MAP (the “**MAP Beneficiaries**”) shall be deposited in such Ultra Common Stock fund under the MAP. The terms of the MAP will provide that (i) no new amounts may be invested in the Ultra Common Stock Fund under the MAP, (ii) additional shares of Ultra Common Stock cannot be acquired by or held in the MAP, other than through dividends, and (iii) MAP Beneficiaries shall be required to liquidate their holdings in the Ultra Common Stock fund under the MAP within twelve (12) months following the Effective Time, subject to the administrative provisions of the MAP and the requirements of applicable Law, and invest those monies in any other investment fund offered under the MAP.

5.4 Continuation of Elections

As of the date on which MAP assets are transferred to the Ultra 401(k) Plan pursuant to Section 5.2, Ultra (acting directly or through members of the Ultra Group) shall cause the Ultra 401(k) Plan to recognize and maintain all MAP elections for each respective Ultra Group Employee, including, but not limited to, deferral, investment, and payment form elections, beneficiary designations, and the rights of alternate payees under qualified domestic relations orders with respect to Ultra Group Employees to the extent such election or designation is available under the Ultra 401(k) Plan.

5.5 Tax Qualified Status

Ultra will take all steps and make any necessary filings with the IRS to establish and maintain the Ultra 401(k) Plan so that it is qualified under Section 401(a) of the Code and the related trust is tax-exempt under Section 501(a) of the Code, including seeking and obtaining a favorable determination letter from the IRS as to such qualification. Furthermore, no later than thirty (30) days prior to the Effective Time, Delta and Ultra (each acting directly or through their respective Affiliates) shall, to the extent necessary, file IRS Form 5310-A regarding the transfer of Assets and Liabilities from the MAP to the Ultra 401(k) Plan as discussed in this Section 5.

6. NONQUALIFIED PLANS

6.1 Key Employee Deferred Compensation Plan

- (a) Establishing Ultra Deferred Compensation Plan. On or prior to the Effective Time, Ultra shall, or shall cause another Ultra Entity to, establish and adopt a deferred compensation plan for its key employees (the “**Ultra Deferred Compensation Plan**”) to provide each Ultra Group Employee who was a participant in the Delta Deferred Compensation Plan as of immediately prior to the Effective Time (each, a “**Ultra Deferred Compensation Plan Beneficiary**”) benefits in respect of service and compensation following the establishment of such plan substantially similar to those accrued with respect to such person under the Delta Deferred Compensation Plan as of immediately prior to the establishment of such plan. As of the earlier of the Effective Time or the date on which such plan is established, the Ultra Group Employees shall no longer participate in the Delta Deferred Compensation Plan. The Parties agree that for purposes of the Delta Deferred Compensation Plan the employment of an Ultra Deferred Compensation Plan Beneficiary shall not be considered to have terminated as a result of the Distribution or the transfer of employment from Delta (or a Delta Entity) to Ultra (or an Ultra Entity), and such employment shall only be considered to terminate for purposes of the Ultra Deferred Compensation Plan when the employment of such Ultra Deferred Compensation Plan Beneficiary with the Ultra Group terminates in accordance with the terms of the Ultra Deferred Compensation Plan and applicable Laws.
- (b) Liability and Responsibility. The Liabilities in respect of Ultra Deferred Compensation Beneficiaries under the Delta Deferred Compensation Plans and the assets, if any, segregated in a rabbi trust solely for the purposes of satisfying such liabilities shall be assumed by or transferred to the member of the Ultra Group which sponsors the applicable Ultra Deferred Compensation Plan, effective as of the earlier of the Effective Time or the date on which such plan is established. For the avoidance of doubt, if no assets are segregated in such a rabbi trust, Delta shall have no obligation to transfer any assets to any member of the Ultra Group pursuant to this Section 6.1(b). Ultra shall have sole responsibility for the administration of the Ultra Deferred Compensation Plans and the payment of benefits thereunder to or on behalf of Ultra Group Employees, and no member of the Delta Group shall have any liability or responsibility therefor. Delta shall have sole responsibility for the administration of the Delta Deferred Compensation Plan and the payment of benefits thereunder to or on behalf of Delta Group Employees and Former Delta Group Employees, and no member of the Ultra Group shall have any liability or responsibility therefor.

7. WELFARE PLANS

7.1 Welfare Plans

On or before the Effective Time, Ultra shall, or shall cause another Ultra Entity to, establish and adopt Ultra Welfare Plans that will provide welfare benefits to each Ultra Group Employee who was a participant in any Delta Welfare Plan (and their eligible spouses and dependents, as the case may be) (collectively, the “**Ultra Welfare Plan Participants**”) under terms and conditions that are substantially

identical to the Delta Welfare Plans. Coverage and benefits under the Ultra Welfare Plans shall then be provided to the Ultra Welfare Plan Participants on an uninterrupted basis, so far as is reasonably practicable, under the newly established Ultra Welfare Plans that shall contain substantially the same benefit provisions as in effect under the corresponding Delta Welfare Plans immediately prior to the Effective Time. Ultra Welfare Plan Participants shall cease to be eligible for coverage under the Delta Welfare Plans in the case of Ultra Welfare Plan Participants following the establishment and adoption of the Ultra Welfare Plans and the transfer of such participants to the Ultra Welfare Plans. Delta Group Employees and Former Delta Group Employees shall not participate in any Ultra Welfare Plans at any time.

7.2 Transitional Matters Under Ultra Welfare Plans

- (a) Treatment of Claims Incurred. Except as set forth in Section 9.3(a):
 - (i) Liability for Claims. With respect to unpaid covered claims incurred by any Ultra Welfare Plan Participant under any Delta Welfare Plans for periods of time before the date on which such Ultra Welfare Plans are established, including claims that are self-insured and claims that are fully insured through third-party insurance, Delta shall retain and be responsible for the payment for such claims or shall cause such Delta Welfare Plans to fully perform, pay and discharge all such claims, as the case may be. No Ultra Entity shall be responsible for any Liability with respect to any such claims. Notwithstanding the foregoing, neither Ultra Welfare Benefit Plans nor Ultra shall be responsible for a claim incurred prior to the date on which the respective Delta Group Employee is transferred to Ultra from Delta.
 - (ii) Claims Incurred. For purposes of this Section 7.2(a), a claim or expense is deemed to be incurred (A) with respect to medical (including continuous hospitalization), dental, vision and/or prescription drug benefits, upon the rendering of health services giving rise to such claim or expense, (B) with respect to life insurance, accidental death and dismemberment and business travel accident insurance, upon the occurrence of the event giving rise to such claim or expense, and (C) with respect to short-term and long-term disability benefits, upon the date of an individual's disability, as determined by the disability benefit insurance carrier or claim administrator, giving rise to such claim or expense.
- (b) Credit for Deductibles and Other Limits. With respect to each Ultra Welfare Plan Participant, the Ultra Welfare Plans will use best efforts to give credit for the plan year in which the Effective Time occurs for any amount paid, number of services obtained or provider visits by such Ultra Welfare Plan Participant toward deductibles, out-of-pocket maximums, limits on number of services or visits, or other similar limitations to the extent such amounts are taken into account under the comparable Delta Welfare Plan.
- (c) COBRA. Delta and its Subsidiaries will be liable for all requirements under COBRA with respect to all Ultra Group Employees (and their qualifying beneficiaries) who, as of the day prior to the earlier of the Determination Date or the date on which such employee is transferred to Ultra, were covered under a Delta Benefit Plan pursuant to COBRA or who have a COBRA qualifying event (as defined in Section 4980B of the Code) that had occurred prior to the earlier of the Determination Date or the date on which such employee is transferred to Ultra. With respect to Ultra Group Employees (and their qualifying beneficiaries), Ultra shall be liable for all requirements under COBRA with respect to any COBRA qualifying event occurring on or after the earlier of the Determination Date or the date on which such employee is transferred to Ultra.

7.3 Continuity of Benefits

- (a) Additional Details Regarding Flexible Spending Accounts. To the extent any Ultra Welfare Plan provides or constitutes a health care flexible spending account, dependent care flexible spending account, or commuter transportation spending accounts (each, a “**Ultra FSA**”), such Ultra Welfare Plan shall be effective as of the earlier of the Effective Time or the date on which such plan is established.
- (i) It is the intention of the Parties that all activity under an Ultra Welfare Plan Participant’s flexible spending account with Delta for the plan year in which the Effective Time occurs be treated instead as activity under the corresponding Ultra FSA. Accordingly, (A) any period of participation by an Ultra Welfare Plan Participant in a Delta flexible spending account during the plan year in which the Effective Time occurs (the “**FSA Participation Period**”) will be deemed a period when the Ultra Welfare Plan Participant participated in the corresponding Ultra FSA, (B) all expenses incurred during the FSA Participation Period will be deemed incurred while the Ultra Welfare Plan Participant’s coverage was in effect under the corresponding Ultra FSA, and (C) all elections and reimbursements made with respect to an FSA Participation Period under a Delta flexible spending account will be deemed to have been made with respect to the corresponding Ultra FSA.
 - (ii) If the aggregate reimbursement payouts made to Ultra Welfare Plan Participants prior to the date on which such participants were transferred to Ultra from the applicable Delta Welfare Plan flexible spending accounts during the plan year in which the Effective Time occurs are less than the aggregate accumulated contributions to such accounts made by such Ultra Welfare Plan Participants prior to the date on which such participants were transferred to Ultra for such plan year, Delta shall cause an amount equal to the amount by which such contributions are in excess of such reimbursement payouts to be transferred to Ultra (or an Ultra Entity designated by Ultra) by wire transfer of immediately available funds as soon as practicable, but in no event later than forty-five (45) days, following the Effective Time.
 - (iii) If the aggregate reimbursement payouts made to Ultra Welfare Plan Participants prior to the date on which such participants were transferred to Ultra from the applicable Delta Welfare Plan flexible spending accounts during the plan year in which the Effective Time occurs exceed the aggregate accumulated contributions to such accounts made by the Ultra Welfare Plan Participants prior to the date on which such participants were transferred to Ultra for such plan year, Ultra shall cause an amount equal to the amount by which such reimbursement payouts are in excess of such contributions to be transferred to Delta (or a Delta Group Entity designated by Delta) by wire transfer of immediately available funds as soon as practicable, but in no event later than 45 days, following the Effective Time.
 - (iv) Notwithstanding anything in this Section 7.3(a), at and after the earlier of the Effective Time or the date on which such plans are established, the Ultra Group shall assume, and cause the Ultra Welfare Plans to be solely responsible for, all claims by Ultra Welfare Plan Participants under the applicable Delta Welfare Plan flexible spending accounts that were incurred in the plan year in which the Distribution occurs, whether incurred prior to, on, or after the Effective Time, that have not been paid in full as of the Effective Time.

- (b) Additional Details Regarding Health Savings Accounts. To the extent that any Ultra Welfare Plan provides or constitutes a health savings account (each a “**Ultra HSA**”), such Ultra Welfare Plan shall be effective no later than as of the Effective Time. It is the intention of the Parties that all activity under an Ultra Welfare Plan Participant’s health savings account with Delta for the year in which the Distribution occurs be treated instead as activity under the corresponding Ultra HSA. Accordingly, (i) any period of participation by an Ultra Welfare Plan Participant in a Delta health savings account during the year in which the Effective Time occurs (the “**HSA Participation Period**”) will be deemed a period when the Ultra Welfare Plan Participant participated in the corresponding Ultra HSA, (ii) all expenses incurred during the HSA Participation Period will be deemed incurred while the Ultra Welfare Plan Participant’s coverage was in effect under the corresponding Ultra HSA, and (iii) all elections and reimbursements made with respect to an HSA Participation Period under a Delta health savings account will be deemed to have been made with respect to the corresponding Ultra HSA.
- (c) Waiver of Conditions or Restrictions. Unless prohibited by applicable Law, the Ultra Welfare Plans will waive all limitations as to preexisting conditions, exclusions, service conditions, waiting period limitations or evidence of insurability requirements that would otherwise be applicable to the Ultra Welfare Plan Participant following the Effective Time to the extent that such Employee had previously satisfied such limitation under the corresponding Delta Welfare Plan.

7.4 Insurance Contracts

To the extent any Delta Welfare Plan is funded through the purchase of an insurance contract or is subject to any stop loss contract, Delta and Ultra will cooperate and use their commercially reasonable efforts to replicate such insurance contracts for Ultra (except to the extent changes are required under applicable state insurance Laws or filings by the respective insurers) and to maintain any pricing discounts or other preferential terms for both Delta and Ultra for a reasonable term. Neither Party shall be liable for failure to obtain such insurance contracts, pricing discounts, or other preferential terms for the other Party. Each Party shall be responsible for any additional premiums, charges, or administrative fees that such Party may incur pursuant to this Section 7.4.

7.5 Third-Party Vendors

Except as provided below, to the extent any Delta Welfare Plan is administered by a third-party vendor, Delta and Ultra will cooperate and use their commercially reasonable efforts to replicate any contract with such third-party vendor for Ultra and to maintain any pricing discounts or other preferential terms for both Delta and Ultra for a reasonable term. Neither Party shall be liable for failure to obtain such pricing discounts or other preferential terms for the other Party. Each Party shall be responsible for any additional premiums, charges, or administrative fees that such Party may incur pursuant to this Section 7.5.

8. WORKERS’ COMPENSATION AND UNEMPLOYMENT COMPENSATION

8.1 Workers’ Compensation

Workers’ compensation will be dealt with as per Section 10 of the Separation and Distribution Agreement.

8.2 Unemployment Compensation

- (a) Ultra Unemployment Compensation. Effective as of the Effective Time, Ultra shall, or shall cause another Ultra Entity to, assume the obligations for all claims and Liabilities relating to unemployment compensation benefits for all Ultra Group Employees. Effective as of the Effective Time, Ultra, acting through the Ultra Entity employing each Ultra Group Employee, will be responsible for establishing new unemployment insurance employer accounts, policies and claims handling contracts with the applicable government agencies. To the extent that such insurance coverage cannot be obtained by Ultra or an Ultra Entity, or, pursuant to state laws and processes, such Liabilities are assessed by a state against Delta, in respect of claims and Liabilities otherwise to be assumed by Ultra or an Ultra Entity pursuant to this Section 8.2, Delta shall remain primarily liable for such claims and Liabilities, but Ultra shall indemnify and hold harmless Delta for any such claims and Liabilities. If the preceding sentence applies, then at one or more mutually agreed upon dates, Delta will reasonably and in good faith determine the present value of such claims and Liabilities and Ultra shall reimburse Delta for that amount.
- (b) Delta Unemployment Compensation. Effective as of the Effective Time, the Delta Entity employing each Delta Group Employee shall have (and, to the extent it has not previously had such obligations, such Delta Entity shall assume) the obligations for all claims and Liabilities relating to unemployment compensation benefits for all Delta Group Employees. Effective as of the Effective Time, the Delta Entity formerly employing each Former Delta Group Employee shall have (and, to the extent it has not previously had such obligations, such Delta Entity shall assume) the obligations for all claims and Liabilities relating to unemployment compensation benefits for all Former Delta Group Employees.
- (c) Cooperation. Ultra and Delta shall use commercially reasonable efforts to provide that unemployment insurance costs are not adversely affected for either of them by reason of the Distribution.

9. BENEFIT ARRANGEMENTS AND OTHER MATTERS

9.1 Termination of Participation

Except as otherwise provided under this Agreement, effective as of immediately after the Effective Time, Ultra Group Employees shall not be eligible to participate in any Delta Benefit Plan.

9.2 Accrued Time Off

Ultra shall recognize and assume all Liability for all unused vacation, holiday, sick leave, flex days, personal days and paid-time off and other time-off benefits with respect to Ultra Group Employees which accrued prior to the Effective Time and Ultra shall credit each Ultra Group Employee with such accrual. To the extent necessary or appropriate under applicable Law to obtain consents from any Ultra Group Employees to recognize and assume such Liability, Ultra shall use commercially reasonable efforts to seek such consents and, if any such consents are not received after such efforts and Delta pays any Ultra Group Employees in respect of such Liability, Ultra shall reimburse Delta for the amount of such payment (and any payroll Tax obligations in respect thereof) within thirty (30) days following the Distribution Date, subject to receipt of reasonable verification from Delta.

9.3 Leaves of Absence/Inactive Employees

- (a) To the extent (i) any Ultra Group Employee is not actively at work as of the Distribution Date as a result of (A) disability (either long-term or short term, in either case as defined in the applicable Delta Plan) or (B) an approved leave of absence that is reasonably expected to result in any such disability and (ii) Delta determines in good faith that such Ultra Group Employee cannot become eligible to receive disability or similar benefits under an Ultra Plan that provides a comparable form of benefits to those provided under the Delta Plans ("Delayed Transfer Ultra"),

Group Employee”), the employment of such Ultra Group Employee will not, unless otherwise required by law, transfer as of the Distribution Date and shall instead transfer on the first date on which such Ultra Group Employee can be covered by an Ultra Plan that provides a comparable form of benefits or returns to active employment, whichever is earlier (the “Delayed Transfer Date”). To the extent Delta incurs any costs or expenses (other than increase in insurance premiums as a result of changes in claims history due to the Delayed Transfer Ultra Group Employees) with respect to the Delayed Transfer Ultra Group Employee following the Distribution Date, Ultra shall reimburse Delta for the aggregate amount of such costs and expenses within thirty (30) days following written request for reimbursement, subject to receipt of reasonable verification from Delta.

- (b) Subject to Section 9.3(a), Ultra will continue to apply the appropriate leave of absence policies applicable to inactive Ultra Group Employees who are on an approved leave of absence as of the Effective Time. Leaves of absence taken by Ultra Group Employees prior to the Effective Time shall be deemed to have been taken as employees of a member of the Ultra Group.

9.4 Certain Director Fees

With respect to any Delta Director and Ultra Director, Delta shall retain responsibility for the payment of any fees payable in respect of service on the board of directors of Delta that are payable but not yet paid as of the Effective Time, and Ultra shall not have any responsibility for any such payments. With respect to any Ultra Director, Ultra shall be responsible for the payment of any fees payable in respect of service on the board of directors of Ultra that are earned at any time beginning at or after the Effective Time, and Delta shall not have any responsibility for any such payments. With respect to any Delta Director, Delta shall be responsible for the payment of any fees payable in respect of service on the board of directors of Delta that are earned at any time beginning at or after the Effective Time, and Ultra shall not have any responsibility for any such payments.

9.5 Restrictive Covenants in Employment and Other Agreements

To the fullest extent permitted by the agreements described in this Section 9.5 and applicable Law, Delta shall assign, or cause an applicable member of the Delta Group to assign, to Ultra or a member of the Ultra Group, as designated by Ultra, all agreements containing restrictive covenants (including confidentiality, non-competition and non-solicitation provisions) and the assignment of any intellectual property between a member of the Delta Group and an Ultra Group Employee, with such assignment to be effective as of the Effective Time. To the extent that assignment of such agreements is not permitted, effective as of the Effective Time, each member of the Ultra Group shall be considered to be a successor to each member of the Delta Group for purposes of, and a third-party beneficiary with respect to, all agreements containing restrictive covenants (including confidentiality, non-competition and non-solicitation provisions) and the assignment of any intellectual property between a member of the Delta Group and an Ultra Group Employee, such that each member of the Ultra Group shall enjoy all the rights and benefits under such agreements (including rights and benefits as a third-party beneficiary), with respect to the business operations of the Ultra Group; provided, however, that in no event shall Delta be permitted to enforce such restrictive covenant agreements against Ultra Group Employees for action taken in their capacity as employees of a member of the Ultra Group.

10. NON-U.S. EMPLOYEES

10.1 General Principles

Notwithstanding any other provision of this Agreement to the contrary, except as explicitly set forth in this Section 10, Delta Group Employees and Ultra Group Employees who are resident outside of the U.S. or otherwise are subject to non-U.S. Law and their related benefits and obligations shall be treated, in so far as is practicable, in the same manner as the Delta Group Employees and Ultra Group Employees who are resident in the U.S.; provided, however, that all actions taken with respect to non-U.S. Employees in connection with the Distribution will be accomplished in accordance with applicable Law and custom in each of the applicable jurisdictions.

10.2 Treatment of Equity Awards Held by Non-U.S. Employees

Equity awards held by non-U.S. Employees of the Delta Group or the Ultra Group shall have such special adjustments and provisions as are reasonably needed to satisfy any applicable local Law.

11. GENERAL PROVISIONS

11.1 Preservation of Rights to Amend

The rights of each member of the Delta Group and each member of the Ultra Group to amend, waive, or terminate any Benefit Plan shall not be limited in any way by this Agreement.

11.2 Confidentiality

Each Party agrees that any information conveyed or otherwise received by or on behalf of a Party in conjunction herewith that is not otherwise public through no fault of such Party is confidential and is subject to the terms of the confidentiality provisions set forth herein and in the Separation and Distribution Agreement, including Section 3.3(e) of this Agreement and Section 8.5 of the Separation and Distribution Agreement.

11.3 Administrative Complaints/Litigation

Except as otherwise provided in this Agreement, on and after the Distribution Date, Ultra shall assume, and be solely liable for, the handling, administration, investigation, and defense of actions, including ERISA, occupational safety and health, employment standards, union grievances, wrongful dismissal, discrimination or human rights, and unemployment compensation claims asserted at any time against Delta or any member of the Delta Group by any Ultra Group Employee (including any dependent or beneficiary of any such Employee) or any other person, to the extent such actions or claims arise out of or relate to employment or the provision of services (whether as an employee, contractor, consultant, or otherwise) to or with respect to the business activities of any member of the Ultra Group or the Ultra Business after the Distribution Date. Except as otherwise provided in this Agreement, Delta shall retain and, if applicable, assume, and be solely liable for, the handling, administration, investigation, and defense of actions, including ERISA, occupational safety and health, employment standards, union grievances, wrongful dismissal, discrimination or human rights, and unemployment compensation claims asserted at any time against Ultra or any member of the Ultra Group by any Delta Group Employee (including any dependent or beneficiary of any such Employees), except to the extent such actions or claims arise out of or relate to employment or the provision of services (whether as an employee, contractor, consultant or otherwise) to or with respect to the business activities of any

member of the Ultra Group or the Ultra Business after the Distribution Date. To the extent that any legal action relates to a putative or certified class of plaintiffs, which includes both Delta Group Employees (or Former Delta Group Employees) and Ultra Group Employees and such action involves employment or benefit plan related claims, reasonable costs and expenses incurred by the Parties in responding to such legal action shall be allocated among the Parties equitably in proportion to a reasonable assessment of the relative proportion of Employees included in or represented by the putative or certified plaintiff class. The procedures contained in the indemnification and related litigation cooperation provisions of the Separation and Distribution Agreement shall apply with respect to each Party's indemnification obligations under this Section 11.3.

11.4 Reimbursement and Indemnification

Each Party agrees to reimburse the other Party, within thirty (30) days of receipt from the other Party of reasonable verification, for all costs and expenses which the other Party may incur on its behalf as a result of any of the respective Delta and Ultra Welfare Plans, Retirement Plans, Benefit Plans, and Deferred Compensation Plans and, as contemplated by Sections 4, 5, 6 and 7, any termination or severance payments or benefits. All Liabilities retained, assumed, or indemnified against by Ultra pursuant to this Agreement, and all Liabilities retained, assumed, or indemnified against by Delta pursuant to this Agreement, shall in each case be subject to the indemnification provisions of the Separation and Distribution Agreement. Notwithstanding anything to the contrary, (i) no provision of this Agreement shall require any member of the Ultra Group to pay or reimburse to any member of the Delta Group any benefit-related cost item that a member of the Ultra Group has paid or reimbursed to any member of the Delta Group prior to the Effective Time and (ii) no provision of this Agreement shall require any member of the Delta Group to pay or reimburse to any member of the Ultra Group any benefit-related cost item that a member of the Delta Group has paid or reimbursed to any member of the Ultra Group prior to the Effective Time.

11.5 Costs of Compliance with Agreement

Except as otherwise provided in this Agreement or any other contractual agreement or arrangement, each Party shall pay its own expenses in fulfilling its obligations under this Agreement.

11.6 Fiduciary Matters

Delta and Ultra each acknowledges that actions required to be taken pursuant to this Agreement may be subject to fiduciary duties or standards of conduct under ERISA or other applicable Law, and no Party shall be deemed to be in violation of this Agreement if it fails to comply with any provisions hereof based upon its good-faith determination (as supported by advice from counsel experienced in such matters) that to do so would violate such a fiduciary duty or standard. Each Party shall be responsible for taking such actions as are deemed necessary and appropriate to comply with its own fiduciary responsibilities and shall fully release and indemnify the other Party for any Liabilities caused by the failure to satisfy any such responsibility.

11.7 Entire Agreement

This Agreement, together with the documents referenced herein (including the Separation and Distribution Agreement and the Benefit Plans), constitutes the entire agreement and understanding among the Parties with respect to the subject matter hereof and supersedes all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof. To the extent any provision of this Agreement conflicts with the provisions of the Separation and Distribution Agreement (other than Sections 11.10 and 11.15(b) thereof), the provisions of this Agreement shall be deemed to control with respect to the subject matter hereof.

11.8 Binding Effect; No Third-Party Beneficiaries; Assignment

This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns. Except as otherwise expressly provided in this Agreement, this Agreement is solely for the benefit of the Parties and should not be deemed to confer upon any third parties any remedy, claim, Liability, reimbursement, cause of action, or other right in excess of those existing without reference to this Agreement. Nothing in this Agreement is intended to amend any Benefit Plan or affect the applicable plan sponsor's right to amend or terminate any Benefit Plan pursuant to the terms of such plan. The provisions of this Agreement are solely for the benefit of the Parties, and no current or former Employee, officer, director, or independent contractor or any other individual associated therewith shall be regarded for any purpose as a third-party beneficiary of this Agreement. This Agreement may not be assigned by any Party, except with the prior written consent of the other Party.

11.9 Amendment; Waivers

No change or amendment may be made to this Agreement except by an instrument in writing signed on behalf of each of the Parties and in accordance with Sections 11.10 and 11.15(b) of the Separation and Distribution Agreement. Subject to Sections 11.10 and 11.15(b) of the Separation and Distribution Agreement, any Party may, at any time, (i) extend the time for the performance of any of the obligations or other acts of another Party, (ii) waive any inaccuracies in the representations and warranties of another Party contained herein or in any document delivered pursuant hereto, and (iii) waive compliance by another Party with any of the agreements, covenants, or conditions contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the Party to be bound thereby. No failure or delay on the part of any Party in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty, covenant, or agreement contained herein, nor shall any single or partial exercise of any such right preclude other or further exercises thereof or of any other right.

11.10 Remedies Cumulative

All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

11.11 Notices

Unless otherwise expressly provided herein, all notices, claims, certificates, requests, demands and other communications hereunder shall be in writing and shall be deemed to be duly given (i) when personally delivered, (ii) if mailed by registered or certified mail, postage prepaid, return receipt requested, on the

date the return receipt is executed or the letter is refused by the addressee or its agent, (iii) if sent by overnight courier which delivers only upon the executed receipt of the addressee, on the date the receipt acknowledgment is executed or refused by the addressee or its agent, or (iv) if sent by facsimile or electronic mail, on the date confirmation of transmission is received (provided that a copy of any notice delivered pursuant to this clause (iv) shall also be sent pursuant to clause (i), (ii) or (iii)), addressed to the attention of the addressee's General Counsel at the address of its principal executive office or to such other address or facsimile number for a Party as it shall have specified by like notice.

11.12 Counterparts

This Agreement, including the other documents referred to herein, may be executed in multiple counterparts, each of which when executed shall be deemed to be an original but all of which together shall constitute one and the same agreement.

11.13 Severability

If any term or other provision of this Agreement is determined by a non-appealable decision by a court, administrative agency, or arbitrator to be invalid, illegal, or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the court, administrative agency, or arbitrator shall interpret this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible. If any sentence in this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

11.14 Governing Law

This Agreement (and any claims or disputes arising out of or related hereto or thereto or to the transactions contemplated hereby and thereby or to the inducement of any Party to enter herein and therein, whether for breach of contract, tortious conduct, or otherwise and whether predicated on common law, statute, or otherwise) shall be governed by and construed and interpreted in accordance with the Laws of the State of New York irrespective of the choice of laws principles of the State of New York, including all matters of validity, construction, effect, enforceability, performance, and remedies.

11.15 Dispute Resolution

The procedures for negotiation and binding arbitration set forth in Section 9 of the Separation and Distribution Agreement shall apply to any dispute, controversy or claim (whether sounding in contract, tort or otherwise) that arises out of or relates to this Agreement, any breach or alleged breach hereof, the transactions contemplated hereby (including all actions taken in furtherance of the transactions contemplated hereby on or prior to the date hereof), or the construction, interpretation, enforceability, or validity hereof. For the avoidance of doubt, this Section 11.15 shall not apply to any dispute, controversy or claim (whether sounding in contract, tort or otherwise) that arises out of or relates to Sections 11.10 or 11.15(b) of the Separation and Distribution Agreement.

11.16 Performance

Each of Delta and Ultra shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any member of the Delta Group and any member of the Ultra Group, respectively. Each of the Parties agrees to take such further actions and to execute, acknowledge, and deliver, or to cause to be executed, acknowledged, and delivered, all such further documents as are reasonably requested by the other for carrying out the purposes of this Agreement or of any document delivered pursuant to this Agreement.

11.17 Construction

This Agreement shall be construed as if jointly drafted by the Parties and no rule of construction or strict interpretation shall be applied against any Party.

11.18 Effect if Distribution Does Not Occur

Notwithstanding anything in this Agreement to the contrary, if the Separation and Distribution Agreement is terminated prior to the Effective Time, this Agreement shall be of no further force and effect and shall be void *ab initio*.

[Signature Page Follows]

SIGNATORY

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

DXC TECHNOLOGY COMPANY

By: _____
Name:
Title:

PERSPECTA INC.

By: _____
Name:
Title:

Signature Page to Employee Matters Agreement

REAL ESTATE MATTERS AGREEMENT

DATED AS OF [●]

by and between

DXC TECHNOLOGY COMPANY

and

PERSPECTA INC.

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This **REAL ESTATE MATTERS AGREEMENT** (this “**Agreement**”) is dated as of [●] by and between [Delta], a [Nevada corporation] (“**Delta**”) and [Ultra], a [Nevada corporation] (“**Ultra**”). Delta and Ultra are also referred to in this Agreement individually as a “**Party**” and collectively as the “**Parties**.”

WHEREAS:

- (A) Delta, acting directly and through its direct and indirect Subsidiaries, currently conducts the Delta Business and the Ultra Business;
- (B) Delta and Ultra have entered into the Separation and Distribution Agreement by and between Delta and Ultra dated as of the date hereof (the “**Separation and Distribution Agreement**”), in connection with the separation of the Ultra Business from Delta and the Distribution of Ultra Common Stock to stockholders of Delta;
- (C) in connection therewith, the Parties desire to enter into this Agreement.

NOW, THEREFORE, in consideration of and subject to the premises and the mutual agreements, terms and conditions herein contained, the benefits to be derived therefrom and other good and valuable consideration, the receipt and the sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 General

Capitalized terms used in this Agreement and not defined herein shall have the meanings that such terms have in the Separation and Distribution Agreement. As used in this Agreement, the following terms shall have the following meanings:

“**Action**” shall mean any demand, action, claim, suit, countersuit, arbitration, inquiry, subpoena, case, litigation, proceeding or investigation (whether civil, criminal, administrative or investigative) by or before any court or grand jury, any Governmental Entity or any arbitration or mediation tribunal.

“**Actual Closing**” shall mean, with respect to each Leased Real Property, the consummation of the assignment or transfer of the rights, title and interest of Delta or its applicable Subsidiary in and to the Lease of such Leased Real Property to Ultra or one of its Subsidiaries, including delivery of a Lease Consent to the extent the Leased Real Property is subject to a Lease Requiring Consent.

“**Agreement**” shall mean this Real Estate Matters Agreement, together with all amendments, modifications, and changes hereto entered into pursuant to Section 6.2.

“**Ancillary Agreements**” shall have the meaning set forth in the Separation and Distribution Agreement.

“**Business Day**” shall have the meaning set forth in the Separation and Distribution Agreement.

“**Contracts**” shall have the meaning set forth in the Separation and Distribution Agreement.

“**Delta**” shall have the meaning set forth in the preamble to this Agreement.

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

“Delta Indemnitees” shall have the meaning set forth in the Separation and Distribution Agreement.

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

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

“Guaranteed Leases” shall mean any Leases as to which Delta or any member of the Delta Group has not received a Release and as to which Obligations remain at the time any determination with respect thereto is made.

“Guaranteed Properties” shall mean any Leased Real Properties leased, subleased, used or occupied under any Guaranteed Leases.

“Guaranteed Rent” shall mean the aggregate annual rent, additional rent and other charges, fees, costs and expenses that Ultra or any of its Subsidiaries is required to pay to the Landlords under the Guaranteed Leases from time to time through the remaining terms of the Guaranteed Leases, regardless of such Person’s volume of business and taking into account any expected escalations in rent, operating expenses and other charges in accordance with the terms of the Leases.

“Landlord” shall mean (i) the holder of the landlord’s rights, title and interests in and to any Lease from time to time, (ii) with respect to the Lease Consents, any other Person from which any consent or waiver is required to assign any Lease or sublease any Leased Real Property to Ultra or its applicable Subsidiary on the terms and conditions of this Agreement, and (iii) with respect to the release of all Liabilities of Delta or any of its Subsidiaries under any Lease, any other Person having the right to enforce any such Liabilities.

“Lease” shall mean, with respect to each Leased Real Property, any lease, sublease or other agreement under which Delta or its applicable Subsidiary (including, for the avoidance of doubt, through any division of Delta or any such Subsidiary) holds a leasehold or subleasehold interest in such Leased Real Property or has the right to use or occupy such Leased Real Property, together with any amendments or extensions of such leases, subleases or agreements, any guaranty of such lease, sublease or agreement by any member of the Delta Group, and any other agreements affecting such leases, subleases or agreements, such leasehold or subleasehold interest or the use and occupancy of such Leased Real Property.

“Lease Consents” shall mean all consents under, or amendments or waivers of any provision of, any Leases required (i) to assign the Lease or sublease the applicable Leased Real Property to Ultra or its applicable Subsidiary on the terms and conditions of this Agreement and (ii) in order to prevent a breach or default thereunder, in connection with the consummation of the Distribution.

“Lease Requiring Consent” shall mean any Lease (i) which prohibits the assignment of such Lease, or the sublease of the applicable Leased Real Property, to Ultra or its applicable Subsidiary or (ii) under which the consent of any Landlord is required for assignment of such Lease, or the sublease of the applicable Leased Real Property, to Ultra or such Subsidiary, on the terms and conditions of this Agreement or, in order to prevent a breach or default thereunder, in connection with the consummation of the Distribution.

“Lease Requiring Notice” shall mean any Lease under which notice to any Landlord is required for assignment of such Lease, or the sublease of the applicable Leased Real Property, to Ultra or its applicable Subsidiary, on the terms and conditions of this Agreement or, in order to prevent a breach or default thereunder, in connection with the consummation of the Distribution.

“Leased Real Properties” shall mean those real properties, including without limitation any land, buildings, fixtures and other improvements constituting real property, leased, subleased or otherwise used and occupied by Delta or one of its Subsidiaries and identified in Schedule 2.2, together with (i) all easements, rights-of-way, restrictions, reservations and other rights and interests appurtenant to such real properties and (ii) all of Delta’s or such Subsidiary’s rights, interests and obligations under any subleases, sub-subleases, licenses or other agreements regarding the use or occupancy of all or any portion of any such real property.

“Letter of Credit” shall mean an irrevocable standby letter of credit in the Required Amount issued by a Qualified Bank for the benefit of Delta on terms and conditions satisfactory to Delta.

“Letter of Credit Term” shall have the meaning set forth in Section 5.1(b) of this Agreement.

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

“Loss” or “Losses” shall have the meaning set forth in the Separation and Distribution Agreement.

“Separation and Distribution Agreement” shall have the meaning set forth in the recitals to this Agreement.

“Obligations” shall mean all Liabilities of Delta or a member of the Delta Group as lessee, sublessee, assignor, sublessor, guarantor or otherwise under or relating to any Lease, including, without limitation, any guarantee, surety, letter of credit, security deposit or other security which Delta or its Subsidiaries have provided or will provide to a Landlord with respect to any Lease, to the extent such Liabilities have not expired, terminated or been fully and unconditionally released.

“Obtaining Party” shall have the meaning set forth in Section 2.6(b) of this Agreement.

“Owned Real Properties” shall mean (i) that real property, including without limitation all land and any buildings, fixtures and other improvements on such land, owned by Delta or one of its Subsidiaries and identified in Schedule 2.1 together with (A) all easements, rights-of-way, restrictions, reservations and other rights and interests appurtenant to such real properties and (B) such owners’ rights, interests and obligations under any leases, subleases, licenses or other agreements regarding the use or occupancy of all or any portion of any such real property.

“Party” or “Parties” shall have the meaning set forth in the preamble to this Agreement.

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

“Properties” shall mean the Owned Real Properties and the Leased Real Properties.

“Proposed Transfer” shall have the meaning set forth in Section 5.4.

“Proposed Transferee” shall have the meaning set forth in Section 5.4.

“Qualified Bank” shall be a financial institution with a minimum rating of A by Standard & Poor’s or a minimum rating of A2 by Moody’s Investors Services.

“Related Property” shall have the meaning set forth in Section 4.2(b) of this Agreement.

“Release” shall mean, with respect to each Lease, the unconditional release of all Liabilities of Delta or any member of the Delta Group under such Lease, including, without limitation, the termination and return of any guarantee, surety, letter of credit, security deposit or other security which Delta or any of its Subsidiaries has provided to any Landlord with respect to such Lease.

“Required Amount” shall mean one hundred percent (100%) of the Guaranteed Rent.

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

“Surviving Person” shall have the meaning set forth in Section 5.1(a).

“Transaction” shall have the meaning set forth in Section 5.1(a).

“Transfer” shall mean transfer, contribute, distribute, assign, and/or convey (and deliver, as applicable), or cause to be transferred, contributed, distributed, assigned, and/or conveyed (and delivered, as applicable).

“Ultra” shall have the meaning set forth in the preamble to this Agreement.

“Ultra Business” shall have the meaning set forth in the Separation and Distribution Agreement.

“Virginia Courts” shall have the meaning set forth in Section 6.6.

1.2 References; Interpretation

References in this Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. Unless the context otherwise requires, the words “include”, “includes” and “including” when used in this Agreement shall be deemed to be followed by the phrase “without limitation”. Unless the context otherwise requires, references in this Agreement to Sections, Exhibits and Schedules shall be deemed references to Sections of, and Exhibits and Schedules to, this Agreement. Unless the context otherwise requires, the words “hereof”, “hereby” and “herein” and words of similar meaning when used in this Agreement refer to this Agreement in its entirety and not to any particular Section or provision of this Agreement. The words “written request” when used in this Agreement shall include email. In the event of any inconsistency or conflict that may arise in the application or interpretation of any of the definitions set forth in Section 1.1, for the purpose of determining what is and is not included in such definitions, any item explicitly included on a Schedule referred to in any such definition shall take priority over any provision of the text thereof.

2. OWNED AND LEASED REAL PROPERTIES

2.1 Owned Real Properties

Delta shall convey or otherwise Transfer to Ultra or its designated Subsidiary, or cause its applicable Subsidiary to convey or otherwise Transfer to Ultra or its designated Subsidiary, and Ultra shall accept, or cause its applicable Subsidiary to accept, all of Delta's or its Subsidiary's rights, title and interests in and to the Owned Real Properties, subject to the other provisions of this Agreement and (to the extent not inconsistent with the provisions of this Agreement) the terms of the Separation and Distribution Agreement and the other Ancillary Agreements. The Parties shall use commercially reasonable efforts to effect such conveyance or Transfer on or prior to the Distribution Date or as soon as practicable thereafter. The Parties shall reasonably cooperate in structuring the Transfers in the most tax efficient manner.

2.2 Leased Real Properties

Delta shall assign or otherwise Transfer to Ultra or its designated Subsidiary, or cause its applicable Subsidiary to assign or otherwise Transfer to Ultra or its designated Subsidiary, and Ultra shall accept and assume, or cause its designated Subsidiary to accept and assume, all of Delta's or its Subsidiary's rights, title, interests in and to, and Obligations under, the Leases (including thereunder, any right, title and interest in and to any security deposits and related interest posted in accordance with such Leases), subject to the other provisions of this Agreement and (to the extent not inconsistent with the provisions of this Agreement) the terms of the Separation and Distribution Agreement and the other Ancillary Agreements. The Parties shall use commercially reasonable efforts to effect such Transfer on or prior to the Distribution Date or as soon as practicable thereafter.

2.3 Lease Consents

- (a) Delta has provided or plans to provide prior to the Distribution Date any notice required to be delivered under each Lease Requiring Notice substantially in the form of Exhibit 2 attached hereto and has requested the Lease Consents by written notice substantially in the form of Exhibit 3 attached hereto to the Landlord with respect to each Lease Requiring Consent. Each such written notice for Lease Consents requests consent with respect to (i) the assignment of the Lease by Delta or its applicable Subsidiary to Ultra or its designated Subsidiary and (ii) to the extent required under the Lease, the change of affiliation and/or control of Ultra that may occur in connection with the Distribution. Delta or its applicable Subsidiary shall use commercially reasonable efforts to obtain such Lease Consents provided, however, that neither Delta nor any member of the Delta Group shall be required to commence or pursue any Action, nor shall Delta nor any member of the Delta Group be required to offer or grant any accommodation (financial or otherwise) beyond what is required under the terms of such Lease to obtain any Lease Consent.
- (b) Ultra shall cooperate as reasonably requested by Delta to obtain the Lease Consents. Neither Delta nor any of its Subsidiaries shall have any liability to Ultra or any of its Subsidiaries arising out of, or relating to, the failure to obtain any Lease Consents or any default, loss of any rights or acceleration of any obligations under, or any termination of, any Lease Requiring Consent as a result of any failure to obtain any Lease Consents. If and to the extent that a Lease Requiring Consent provides the applicable Landlord the opportunity to recapture all or a portion of a leased premises due to a request for a Lease Consent and such Lease Requiring Consent permits a request to be withdrawn (or words of similar import) upon such Landlord's election so to recapture, then, if Ultra so requests in writing at least three (3) Business Days prior to the expiration of any recapture withdrawal period, Delta shall use commercially reasonable efforts to exercise such right to withdraw a request for Lease Consent.
- (c) Ultra shall use its commercially reasonable efforts to satisfy promptly, or cause its applicable Subsidiaries to use their commercially reasonable efforts to satisfy promptly, all of the requirements set forth in each Lease Requiring Consent and any other lawful and reasonable requirements of the Landlord in obtaining the Lease Consents, including, without limitation:

- (i) if required by any Landlord with respect to any Lease Requiring Consent, entering into an agreement with such Landlord to assume, observe and perform the tenant's obligations under such Lease Requiring Consent during the remainder of the term of such Lease Requiring Consent; and
- (ii) if required by any Landlord with respect to any Lease Requiring Consent, providing any financial statements or other evidence of creditworthiness to Landlord and providing, or causing another Person (other than Delta or any other member of the Delta Group) to provide, a guarantee, surety, letter of credit, security deposit or other security in reasonable form and amount to meet the reasonable requirements of the Landlord with respect to the creditworthiness of Ultra or its designated Subsidiary.

2.4 Releases

- (a) Delta and Ultra shall use their respective commercially reasonable efforts to obtain a Release from each Landlord with respect to each Lease and to satisfy promptly, or cause its designated Subsidiaries to use their commercially reasonable efforts to satisfy promptly, all of the lawful and reasonable requirements of each Landlord in obtaining each Release; provided, however, that neither Delta nor Ultra shall be required to commence or pursue any Action nor shall Delta nor any member of the Delta Group be required to offer or grant any accommodation (financial or otherwise) beyond what is required under the terms of such Lease.
- (b) Without limiting the foregoing, Ultra shall, or shall cause its designated Subsidiaries to, use reasonable best efforts to satisfy promptly, all of the lawful and reasonable requirements of each Landlord in obtaining each Release, including, without limitation:
 - (i) if required by the Landlord with respect to any Lease, entering into an agreement with such Landlord to assume, observe and perform the tenant's obligations under such Lease during the remainder of the term of such Lease; and
 - (ii) if required by the Landlord with respect to any Lease, providing any financial statements or other evidence of creditworthiness of Ultra to Landlord and providing, or causing another Person (other than Delta or any other member of the Delta Group) to provide, a guarantee, surety, letter of credit, security deposit or other security in reasonable form and amount to meet the reasonable requirements of the Landlord with respect to the creditworthiness of Ultra or its designated Subsidiary.
- (c) To the extent that Delta or Ultra does not obtain a Release from each Landlord with respect to any Lease, Ultra shall indemnify, defend, protect and hold harmless the Delta Indemnitees from and against, and shall reimburse each Delta Indemnitee for, all Losses incurred or suffered by any Delta Indemnitee following the Distribution Date arising from or as a result of (i) any Obligations or the failure by Ultra or any of its Subsidiaries to pay, perform, observe and discharge all Obligations or (ii) Ultra's or its applicable Subsidiary's or any of their respective representatives', agents', contractors' or invitees' use or occupancy of the respective Leased Real Properties under each such Lease, including without limitation Ultra's or such Subsidiary's or any of their respective representatives', agents', contractors' or invitees' use or occupancy of any Leased Real Property under Section 2.5 of this Agreement.

- (d) Without limiting the foregoing, to the extent that Ultra does not obtain a Release within ninety (90) days after the Distribution Date with respect to any Guaranteed Lease with a remaining term of more than eighteen (18) months, Delta may require Ultra or its applicable Subsidiary to offer to pay to the Landlord under each such Guaranteed Lease a cash deposit (to be refunded to Ultra at the expiration of the remaining term of such Guaranteed Lease) of not less than three (3) months' rent as an inducement for such Landlord to provide a Release.

2.5 Temporary Occupancy

In the event that the Actual Closing for any Leased Real Property does not occur on or before the Distribution Date, Delta and Ultra shall use their respective commercially reasonable efforts to allow Ultra to occupy such Leased Real Property upon the terms and conditions contained in the relevant Lease and until the Actual Closing for such Leased Real Property; provided, however, that if an enforcement action or forfeiture by the relevant Landlord due to Ultra's or its applicable Subsidiary's occupation of such Leased Real Property constituting a breach of the relevant Lease cannot, in the reasonable opinion of Delta, be avoided other than by requiring Ultra or its applicable Subsidiary to promptly vacate the relevant Leased Real Property, Delta may, by notice to Ultra, promptly require Ultra or its applicable Subsidiary to vacate the relevant Leased Real Property on not less than ten (10) days prior written notice. Ultra will be responsible for all Losses incurred or suffered by Delta or any of its Subsidiaries as a consequence of such occupation or failure to timely vacate. Neither Ultra nor its applicable Subsidiary shall be entitled to make any claim or demand against, or obtain reimbursement from, Delta or any member of the Delta Group with respect to any Losses incurred or suffered by Ultra or its applicable Subsidiary as a consequence of being obliged to vacate the Leased Real Property or in obtaining alternative premises, including, without limitation, any Action or forfeiture which a Landlord may take against Ultra or its applicable Subsidiary.

2.6 Performance of Leases

- (a) Following the Distribution Date, whether or not (i) the Actual Closing with respect to any Leased Real Property has occurred, (ii) Ultra or its applicable Subsidiary occupies such Leased Real Property under Section 2.5 of this Agreement or subleases such Leased Real Property under Section 2.7 of this Agreement or (iii) Ultra or its applicable Subsidiary is required to vacate such Leased Real Property under Section 2.5 of this Agreement, Ultra shall pay, perform, observe and discharge promptly when due, or cause its applicable Subsidiary to pay, perform, observe and discharge promptly when due, all Obligations under the Lease of such Leased Real Property; provided, however, that if, prior to an Actual Closing, a Landlord refuses to accept direct payment, performance, observation or other discharge of Obligations by Ultra or its applicable Subsidiary, then Delta, at Ultra's or its applicable Subsidiary's written request, shall make such payment, performance, observation or otherwise discharge such Obligations until such Actual Closing, subject to Delta's receipt of payment from Ultra or its applicable Subsidiary of all rent and other amounts payable under the applicable Lease prior to payment by Delta to the Landlord; and provided, further, that if Ultra or its applicable Subsidiary is required to vacate such Leased Real Property under Section 2.5 of this Agreement, Ultra or its applicable Subsidiary shall pay to (if a Landlord refuses to accept direct payment, performance, observation or other discharge of Obligations by Ultra or its applicable Subsidiary), or be entitled to be reimbursed by (if a Landlord otherwise accepts direct payment, performance, observation or other discharge of Obligations by Ultra or its applicable Subsidiary), Delta or its designated Subsidiary, monthly in advance (no later than the ___th day of each calendar month), fifty percent (50%) of the Obligations payable under the applicable Lease for the remainder of the term of such Lease.

- (b) Upon (i) the Actual Closing with respect to any Guaranteed Property or (ii) the commencement of Ultra's or its applicable Subsidiary's occupancy of any Leased Real Property under Section 2.5 of this Agreement or sublease of any Leased Real Property under Section 2.7 of this Agreement, Ultra and each of its applicable Subsidiaries shall obtain and maintain all insurance, in such amounts and with such coverage, terms and conditions, as the tenant is required to maintain under each such Lease; provided, however, if, prior to an Actual Closing, a Landlord refuses to accept Ultra's performance of the insurance requirements of any Lease or Ultra's insurer does not recognize an insurable interest on behalf of Ultra under any such Lease, then Delta at Ultra's written request shall use commercially reasonable efforts to obtain and maintain insurance policies, until such Actual Closing, in such amounts and with such coverage, terms and conditions, as the tenant is required to maintain under such Lease, subject to (A) Delta's receipt of payment from Ultra of all premiums and other amounts owing with respect to such policies prior to payment by Delta to the carriers and (B) indemnification from Ultra against any Losses which any Delta Indemnitee may incur or suffer under or in connection with such arrangements. Ultra and each of its applicable Subsidiaries shall maintain all insurance required under the applicable Lease for so long as Delta or any of its Subsidiaries retains any Obligations with regard to the Leases and Leased Real Properties subject to such insurance. Each of Delta and Ultra (each, an "**Obtaining Party**") shall, when obtaining insurance pursuant to this Agreement, use commercially reasonable efforts to provide that coverage under such insurance shall not expire or be terminated or materially modified without such insurer endeavoring to provide written notice to the other Party at least thirty (30) days in advance of such expiration, termination or modification. All policies of commercial general liability insurance obtained by an Obtaining Party (or any Subsidiary of such Obtaining Party) shall designate the other Party and, as applicable, the other members of the Delta Group or the appropriate Subsidiary of Ultra, as additional insureds. On or before each such Actual Closing as provided in clause (i) above or the commencement of any such occupancy or sublease as provided in clause (ii) above, and thereafter at least thirty (30) days before the expiration of any such insurance or within ten (10) days after receiving a written request from the other Party, the Obtaining Party shall deliver certificates from the issuers of all such insurance evidencing full compliance with this Section 2.6(b), together with evidence of the payment of any premiums due on account of such insurance.
- (c) Delta shall use commercially reasonable efforts to promptly deliver to Ultra or its applicable Subsidiary copies of all invoices, demands, notices and other communications received by Delta or its applicable Subsidiary or agents in connection with any of the Leased Real Properties or the Leases and shall, at Ultra's cost and upon Ultra's reasonable written request, use commercially reasonable efforts to give notices and otherwise communicate on behalf of Ultra or its applicable Subsidiary with respect to matters relating to any Lease or Leased Real Property. Ultra shall use commercially reasonable efforts to promptly deliver to Delta copies of all demands, notices and other communications received by Ultra or its applicable Subsidiary or agents that allege any breach or default of any Lease, which breach or default could reasonably be expected to result in Delta or any of its Subsidiaries or any other member of the Delta Group incurring any Liabilities under such Lease or relating to the applicable Leased Real Property.

2.7 Alternative Sublease

If, at any time, the relevant Lease Consent is expressly refused or if Delta does not reasonably expect to obtain such Lease Consent with respect to a Lease Requiring Consent, Delta shall use commercially reasonable efforts to sublease (using an instrument substantially in the form of Exhibit 4 attached to this Agreement) all of the relevant Leased Real Property with respect to a Lease Requiring Consent utilized by Ultra or its applicable Subsidiary to Ultra or such Subsidiary for the remainder of the term of the Lease (or, if required by Landlord, for a period equal to substantially all of the remainder of the term of such Lease). Delta shall apply to the relevant Landlord for the Lease Consent with respect to such sublease, and, on the grant of such Lease Consent, Delta shall sublease or cause its applicable Subsidiary

to sublease to Ultra or its applicable Subsidiary (subject to reasonable creditworthy requirements) the relevant Leased Real Property for the remainder of the term of the Lease Requiring Consent, at a rent equal to the rent (including all additional rent and other charges, fees, expenses and costs charged under the applicable Lease) from time to time under the Lease Requiring Consent, but otherwise on substantially the same terms and conditions as the Lease Requiring Consent, except to the extent inconsistent with this Agreement and except that Delta shall have no obligation to perform any obligations of such Landlord under such Lease and Ultra shall look only to such Landlord for such obligations, to the extent of Landlord's obligations under the relevant Lease. The sublease shall provide that (i) Delta or its applicable Subsidiary shall use commercially reasonable efforts to enforce such Lease for the benefit of Ultra or its applicable Subsidiary, at Ultra's or its applicable Subsidiary's sole cost and expense (but in no event shall any member of the Delta Group have an obligation to commence any Action against the relevant Landlord), (ii) Delta shall not terminate or otherwise amend such Lease so as to materially adversely affect such subleased premises or Ultra's or its applicable Subsidiary's rights thereunder, and (iii) subject to Section 2.13 of this Agreement, Delta shall exercise such Lease rights as may be reasonably requested in writing by Ultra or its applicable Subsidiary from time to time, at Delta's or its applicable Subsidiary's sole cost and expense and subject to indemnification from Ultra against any Losses any Delta Indemnitee may suffer in connection therewith.

2.8 Form of Transfer

Delta or its applicable Subsidiary shall make the conveyance or transfer of the Owned Real Properties in accordance with Section 2.1 of this Agreement using one or more instruments substantially in the form of Exhibit 1 attached to this Agreement and shall make the assignment, sublease or transfer of the Leased Real Property in accordance with Sections 2.2 and 2.7 of this Agreement using one or more instruments substantially in the form of Exhibits 2, 3 or 4 (as applicable) attached to this Agreement (or, if any Landlord so requires, in the form of assignment reasonably proposed by the relevant Landlord), in each case with such modifications as are necessary to conform to local requirements, customs and practices to the extent necessary to render such form effective and, if requested by Ultra (at Delta's sole cost and expense), recordable.

2.9 Title to the Properties

Delta makes no representations or warranties, express or implied, with respect to the quality or condition of, or any encumbrances on, the title to the Properties; and Ultra or its applicable Subsidiary shall accept the rights, title and interests of Delta or its applicable Subsidiary in and to each Owned Real Property and each Lease, subject to any defects in the quality or condition of such title and any easements, covenants, conditions, restrictions, reservations and other matters affecting, encumbering or relating to each Property.

2.10 Condition of Properties

Delta makes no representations or warranties, express or implied, with respect to the condition of the Properties; and Ultra or its applicable Subsidiary shall accept each Property "AS IS, WHERE IS" and in such condition and state of repair as exists on the Distribution Date, with respect to the Owned Real Properties, and on the Actual Closing Date, with respect to the Leased Real Properties, with all faults, limitations and defects (latent and apparent), without any representations or warranties, whether oral or written, express, implied presumed, statutory or otherwise, as to its quality, nature, merchantability, value, marketability, adequacy or its fitness for any intended use or particular purpose. Ultra, for itself and on behalf of its Subsidiaries, acknowledges that it has had the opportunity to inspect the Properties

and all aspects relating thereto, including, without limitation, all of the physical, environmental and operational aspects of, or conditions on, the Property to its full satisfaction and is familiar with the Properties. The Parties obligations under this Agreement are not conditioned upon the Properties being in any particular condition, and, any damage from condemnation or any fire or other casualty or any other change in the condition of any Property notwithstanding, Delta shall make, or cause its applicable Subsidiary to make, the conveyances, assignments and transfers under Section 2.1 and 2.2 of this Agreement, and Ultra shall accept, or cause its applicable Subsidiary to accept, all such conveyances, assignments and transfers; provided, however, in the event of any such damage from condemnation or fire or other casualty before the Distribution Date, with respect to the Owned Real Properties, or the Actual Closing, with respect to the Leased Real Properties, Delta or its applicable Subsidiary shall confer with Ultra regarding, and use commercially reasonable efforts to pursue and assign (without representation or warranty) to Ultra or its applicable Subsidiary, all rights and interests of Delta or its applicable Subsidiary in and to any proceeds of insurance arising from such fire or casualty or proceeds arising from any condemnation proceeding (less any costs incurred by Delta in pursuing such proceeds) at the time of the conveyance, assignment or transfer for the relevant Property. To the extent that there is any damage from condemnation or any fire or other casualty to any Leased Real Property prior to the Actual Closing, Delta shall consult with Ultra prior to the exercise of any right set forth in the respective Lease with respect to such an event.

2.11 Lease Termination

If any Lease expires or is terminated prior to the Distribution Date, (a) Delta or its applicable Subsidiary shall not be required to assign or transfer such Lease, (b) Ultra or its applicable Subsidiary shall not be required to accept an assignment or transfer of such Lease or a sublease of the Leased Real Property relating to such Lease, and (c) neither Party shall have any further obligations with respect to such Lease or Leased Real Property under this Agreement subject to any obligations that expressly survive termination or expiration pursuant to the terms of this Agreement.

2.12 Tenant's Fixtures and Fittings

The Separation and Distribution Agreement and the other Ancillary Agreements shall govern the ownership, and the transfer of ownership, of any trade fixtures and personal property located at each Property.

2.13 Lease Extensions

Ultra shall not enter into, and shall not permit its applicable Subsidiaries to enter into, any agreement renewing any Guaranteed Lease or extending the term of any Guaranteed Lease or increasing the rent or other obligations of tenant or any guarantor under any Guaranteed Lease unless Delta is granted a Release with respect to such Guaranteed Lease. If Ultra or its Subsidiary wishes to remain in any Guaranteed Property after the expiration of the current term of any Guaranteed Lease, Ultra shall enter into, or cause its applicable Subsidiary to enter into, a new lease of such Guaranteed Property under which neither Delta nor any of its Subsidiaries nor any other member of the Delta Group shall have any Liabilities (as tenant, guarantor or otherwise). If any Guaranteed Lease provides (a) a right or option to renew such Guaranteed Lease or extend the term of such Guaranteed Lease that the tenant under such Guaranteed Lease may exercise with respect to such Guaranteed Lease or (b) that such Guaranteed Lease shall renew or the term of such Guaranteed Lease shall be extended automatically if the tenant under such Guaranteed Lease fails to take an action to prevent such automatic renewal or extension, then, Ultra shall not exercise, and shall not permit its applicable Subsidiary to exercise, such right or

option to renew such Guaranteed Lease or extend the term of such Guaranteed Lease, and Ultra shall take such action, or shall cause its applicable Subsidiary to take such action, as is necessary to prevent the automatic renewal of such Guaranteed Lease or the automatic extension of the term of such Guaranteed Lease. Neither Delta nor any of its Subsidiaries shall have any Liabilities under (i) any Lease that expires or is subject to renewal on or after the Distribution Date, or (ii) any new lease executed by Ultra or its Subsidiaries in connection with the Ultra Business on or after the Distribution Date.

2.14 Costs and Expenses

Delta shall pay all out-of-pocket costs and expenses incurred in connection with obtaining the Lease Consents and the Releases by Delta and by each Landlord, including, without limitation, any fee charged by any Landlord for any Lease Consent or Release and any attorneys' fees and any costs and expenses relating to renegotiation or renewal of any Lease. Delta shall also pay all out-of-pocket costs and expenses payable in connection with the conveyance or transfer of the Owned Real Properties and the assignment or transfer of the Leases, including, without limitation, any escrow fees, recording fees and any transfer, documentary, sales, use, stamp, registration and other such federal, state and local taxes and fees (including any penalties, interest, additions to tax and costs and expenses relating to such taxes).

2.15 Landlord Estoppel Certificates

If requested in writing to do so by Ultra, Delta will use its commercially reasonable efforts to provide estoppel certificates to landlords under the Guaranteed Leases, subject to the receipt of factual representations from Ultra in form and substance reasonably satisfactory to Delta (and subject to receipt of an acknowledgement from Ultra that it will be solely responsible for, and will hold Delta harmless against, any Liabilities which may arise from such estoppel certificate or the matters covered thereby).

2.16 Title Insurance

At the written request of Ultra (and at Ultra's sole cost and expense), Delta shall use its commercially reasonable efforts to obtain endorsements to existing title insurance policies held by the Delta Group for the applicable Owned Real Properties providing for the transfer of such policies to Ultra or its designated Subsidiaries to the extent available in the applicable jurisdiction. Ultra may, at its own cost and expense, elect to obtain title insurance policies and/or surveys with respect to any or all of the Owned Real Properties. In no event shall any title insurance, endorsement or survey deliveries delay the timing for Transfer of the Owned Real Properties contemplated by this Agreement.

3. SHARED PROPERTIES

3.1 Plano, Texas Facility Lease

Delta or its applicable Subsidiary (as lessor) and Ultra or its applicable Subsidiary (as lessee) have entered or shall enter into a lease of portions of the Plano, Texas Facility pursuant to a lease agreement with a term of seven (7) years substantially in the agreed form attached hereto as Exhibit 5.

4. INDEMNIFICATION

4.1 Notice of Default Under the Guaranteed Leases; Indemnification and Reimbursement

- (a) Ultra shall provide Delta with a copy of any written notice of default, notice of alleged default or other notice that Ultra or any of its Subsidiaries receives from a Landlord or a lender with respect to any Guaranteed Lease that may result in an event of default, which copy shall be given to Delta as soon as practicable and in any event no later than five (5) Business Days after Ultra's or any of its Subsidiaries' receipt of any such notice. Delta shall provide Ultra with a copy of any written notice of default, notice of alleged default or other notice that Delta or any member of the Delta Group receives from a Landlord with respect to any Guaranteed Lease, which copy shall be given to Ultra as soon as practicable and in any event no later than five (5) Business Days after Delta's or any of the Delta Group members' receipt of any such notice.
- (b) Ultra shall deliver to Delta, as soon as practicable and in any event no later than five (5) Business Days after Ultra's or any of its Subsidiaries' receipt of any notice described in Section 4.1(a) hereof, a statement from Ultra concerning Ultra's intentions with respect to said default or alleged default. Delta shall reasonably cooperate (at Ultra's sole cost and expense) with any attempt by Ultra pursuant to this Section 4.1(b) to cure or contest a default or alleged default.
 - (i) If Ultra indicates an intent to contest said default or alleged default, then Ultra shall engage legal counsel reasonably acceptable to Delta and shall diligently pursue such contest; provided, however, if Delta reasonably believes that Ultra is not likely to prevail in such contest and Delta reasonably believes that Delta or any member of the Delta Group will suffer adverse consequences as a result of such default or alleged default if it is not cured promptly, then, in any such event, Delta may (in its sole and absolute discretion and without any obligation to do so) give Ultra written notice of Delta's intention to cure the default or alleged default under such Guaranteed Lease, and the Parties shall be thereafter be governed by Section 4.1(b)(iii).
 - (ii) If Ultra indicates its intent to cure such default or alleged default, Ultra shall cure said default or alleged default within the applicable cure period set forth in the applicable Guaranteed Lease, or if said default or alleged default is of a character which does not permit the curing of said default or alleged default within the time period set forth in the applicable Guaranteed Lease, Ultra shall eliminate, cure, obtain a waiver or otherwise constructively address such default or alleged default and proceed diligently and continuously with respect to said default or alleged default until cured, waived or eliminated, but, in any event, in the manner required under the terms and conditions of the applicable Guaranteed Lease. So long as Ultra is working diligently and continuously to cure such default or alleged default in accordance with the foregoing, Delta shall refrain from taking actions to cure such default or alleged default and shall cooperate as reasonably requested by Ultra (at Ultra's sole cost and expense) with respect to curing such default or alleged default or settling such dispute with the applicable Landlord; provided, however, if Ultra (A) provides written notice to Delta of its intention not to cure said default or alleged default, (B) fails to send any notice of its intentions, or (C) fails to cure a default or alleged default in accordance with its previous notice to Delta, or if Delta reasonably believes that Delta or any member of the Delta Group will suffer adverse consequences as a result of such default or alleged default if it is not cured promptly, then, in any such event, Delta may (in its sole and absolute discretion and without any obligation to do so) give Ultra written notice of Delta's intention to cure the default or alleged default under such Guaranteed Lease and the parties shall be thereafter be governed by Section 4.1(b)(iii).

- (iii) If Ultra has not cured such default or alleged default within five (5) days after Ultra's receipt of Delta's written notice to Ultra pursuant to the final sentences of Sections 4.1(b)(i) or 4.1(b)(ii) (or, if such default or alleged default cannot be cured within such five (5) day period, Ultra has not commenced to cure and continued to diligently and continuously pursue such cure to completion within the grace or cure periods provided under, and otherwise in accordance with the terms of the applicable Guaranteed Lease), then, regardless of any stated intention of Ultra, Delta may (in its sole and absolute discretion and without any obligation to do so) cure such default or alleged default on behalf of Ultra at Ultra's sole cost and expense, and Ultra, for itself and on behalf of each of its Subsidiaries, hereby grants to Delta a license to enter upon any Leased Real Property for the purpose of effecting such cure, subject to the provisions of such Guaranteed Lease.
 - (iv) If Delta or any member of the Delta Group incurs or suffers any Losses as a result of a default or alleged default under any Guaranteed Lease by Ultra or any of its Subsidiaries, and if Ultra does not pay to Delta the full amount of such Losses promptly after receipt of notice of such Losses from Delta, Delta shall be entitled to exercise any and all remedies available to it under this Agreement or under any other agreement between the parties, at law or in equity.
- (c) Ultra, for itself and as agent for each of its Subsidiaries, hereby agrees to indemnify, defend (or, where applicable, pay the costs of defense for) and hold harmless the Delta Indemnitees from and against, and shall reimburse such Delta Indemnitees for, all Losses incurred or suffered by the Delta Indemnitees by reason of (i) the incurrence by any Delta Indemnitees of reasonable out-of-pocket costs of enforcement (excluding any internal administrative costs of such Delta Indemnitees) of any terms, covenants or agreements contained in this Agreement, (ii) any and all payments or performance required of any of the Delta Indemnitees with respect to any Obligation, and (iii) any breach or default by Ultra or any of its Subsidiaries under any Guaranteed Lease. If any Delta Indemnitee incurs or suffers any such Losses, Ultra shall reimburse Delta for the full amount thereof, within ten (10) days after receiving a written demand for such Losses from Delta. In the event that, with the written consent of Delta, Ultra assumes the defense of any Delta Indemnitee with respect to any Action arising out of any matter from and against which Ultra is obligated to indemnify, defend and hold harmless such Delta Indemnitee under this Section 4.1(c), such defense shall include the employment of counsel reasonably satisfactory to Ultra and Delta and the payment by Ultra of all of such counsel's fees and expenses. Delta shall not be liable for the payment of any settlement of any such Action effected by Ultra without the written consent of Delta. Ultra shall not, without the prior written consent of Delta (not to be unreasonably withheld or delayed), effect any settlement of any Action in respect of which any Delta Indemnitee is a party and from and against which Ultra is obligated to indemnify, defend and hold harmless such Delta Indemnitee under this Section 4.1(c), unless such settlement is paid, in the first instance, by Ultra, contains no admission of wrongdoing on the part of any Delta Indemnitee, and includes an unconditional release of all Delta Indemnitees from all liability on all claims that are the subject matter of such Action. Delta agrees to cooperate reasonably with Ultra's defense of any such Action, as reasonably requested by Ultra and at Ultra's sole cost and expense. The terms and conditions of this provision shall survive indefinitely.

4.2 Termination of Assignment Upon Breach or Event of Default

If a breach or default occurs under any of the Guaranteed Leases and such breach or default remains uncured after any applicable notice and cure period, then Delta, at its election, shall have the following non-exclusive remedies:

- (a) Delta shall be entitled to all of the rights and remedies which Delta may have under this Agreement or any other Contract or at law or in equity;
- (b) Delta shall have the right to terminate the assignment to Ultra or its applicable Subsidiary of Delta's or its applicable Subsidiary's right, title and interest in and to the Guaranteed Lease with respect to which there exists a default following any notice and cure period provided for in such Guaranteed Lease, which right Delta shall exercise by written notice to Ultra. Provided that such Guaranteed Lease is not a Lease Requiring Consent, upon receiving such notice from Delta, such assignment shall be of no further force and effect; and Ultra shall assign or otherwise transfer, or cause its applicable Subsidiary to assign or otherwise transfer, to Delta all of Ultra or such Subsidiary's right, title and interest in and to such Guaranteed Lease and any related improvements and fixtures (but excluding any furnishings, trade fixtures and business equipment) used in connection with the Leased Real Property demised under such Guaranteed Lease (collectively, the "**Related Property**"). If such Guaranteed Lease is a Lease Requiring Consent, then Delta may seek Landlord's consent to reassignment of the Lease to Delta at Ultra's sole cost and expense, and, upon the receipt of such consent, Ultra (or its Subsidiary) shall perform such assignment and transfer called for in the preceding sentence.
- (c) If Delta exercises its right to terminate the assignment to Ultra of any Guaranteed Lease, Delta shall have the immediate right to possession and use of the Leased Real Property with respect to which such breach or event of default exists and any Related Property associated with such Leased Real Property, and, upon receiving the notice of termination of such Guaranteed Lease from Delta, Ultra shall quit and vacate, or shall cause its applicable Subsidiary and all other tenants and occupants of such Leased Real Property, to quit and vacate such Leased Real Property in accordance with the requirements of such Guaranteed Lease and broom clean, with all rubbish, debris and personal property belonging to Ultra or such Subsidiary, tenant or occupant (other than the Related Property) having been removed. If Ultra or any such Subsidiary, tenant or occupant shall fail to quit and vacate such Leased Real Property after receipt of such notice of termination in accordance with the requirements of the Guaranteed Lease, Delta shall have all rights and remedies available at law and in equity to evict Ultra, or such Subsidiary, tenant or occupant from such Leased Real Property.
- (d) Ultra, for itself and as agent for each of its Subsidiaries, hereby irrevocably constitutes and appoints Delta its true and lawful attorney-in-fact for the purpose of carrying out the terms and provisions of this Section 4.2 after a breach or default under this Agreement or under any Guaranteed Lease (which continues after the giving of any notice and the expiration of any cure period provided under such Guaranteed Lease), in Ultra's or such Subsidiary's name and stead, (i) to secure and maintain the use and possession of any Leased Real Properties with respect to which any breach or event of default exists under any Guaranteed Lease and any Related Property, (ii) to take any and all actions which Delta reasonably deems necessary to protect, maintain and secure its interest in any such Leased Real Property and Related Property, and (iii) to put and substitute one or more agents, attorney or attorneys-in-fact for Ultra or any such Subsidiary to do, execute, perform and finish for Ultra or such Subsidiary those matters which shall be reasonably necessary or advisable, or which Ultra's agent, attorney-in-fact or its substitute shall deem reasonably necessary or advisable, with respect to such Leased Real Property or Related Property, including, without limitation, executing on behalf of Ultra any instrument deemed necessary or advisable by Delta to evidence the termination of the previous assignment, and the assignment of Ultra's or its Subsidiary's rights, title and interests in and to such Guaranteed Lease under this Section 4.2, as thoroughly, amply and fully as Ultra could do personally. All such powers of attorney shall be deemed coupled with an interest and shall be irrevocable.

4.3 No Obligation to Pay Rent

Nothing in this Agreement or the instruments assigning the Guaranteed Leases to Ultra or its applicable Subsidiary creates any obligation on the part of Delta or any member of the Delta Group to pay any amounts due or owing under any of the Guaranteed Leases.

5. COVENANTS

5.1 Merger

- (a) As long as the Guaranteed Rent in the aggregate through the remaining life of the Guaranteed Leases exceeds One Million Dollars (\$1,000,000), prior to the completion by Ultra of any consolidation with or merger into any Person (or of any transaction involving or related to an acquisition of a controlling interest in Ultra or a sale of all or substantially all of Ultra's assets on a consolidated basis) (in each case, a "**Transaction**"), the surviving Person of such Transaction (the "**Surviving Person**") shall deliver to Delta a Letter of Credit in the Required Amount to support the Surviving Person's obligations under this Agreement (on such terms and conditions as are reasonably acceptable to Delta); provided that no such Letter of Credit shall be required if the Surviving Person of such Transaction is rated as investment grade by Standard & Poor's or Moody's Investor Services following the completion of the Transaction.
- (b) If the Surviving Person provides the Letter of Credit under Section 5.1(a), the Surviving Person shall be obligated to maintain the Letter of Credit in the Required Amount during the term commencing on the Distribution Date and terminating on the earlier of (i) a Release with respect to all Guaranteed Leases or (ii) the date on which the Guaranteed Rent falls below One Million Dollars (\$1,000,000) (such term, the "**Letter of Credit Term**").

5.2 Security Interests

As long as Delta's (or any Subsidiary of Delta) duties under any Obligation remain outstanding with regards to any Leased Real Properties or Leases, Ultra shall not pledge, hypothecate, collaterally assign, mortgage or otherwise encumber, or permit any lien or encumbrance upon, or grant any security interest in, any of Ultra's rights, title or interests, as lessee, sublessee or assignee, in or to any of such Leased Real Properties or Leases, except to the extent any such lien, encumbrance or security interest is subordinate to, and would not otherwise interfere with, the interests, rights or remedies of Delta or its Subsidiary with respect to such Leased Real Property or Lease under the terms of this Agreement; provided, however, that this Section 5.2 shall not apply to (a) any lien or encumbrance on any Landlord's interest in any Leased Real Property existing as of the Distribution Date or expressly permitted under a Lease, (b) any liens against the Properties for real estate taxes or mechanics', materialmen's or other liens based upon claims for work, labor or materials relating to any Property, if (i) such taxes or claims are not due and payable or are being contested in good faith by appropriate proceedings and (ii) Ultra maintains adequate reserves for payment of such taxes or claims in accordance with generally accepted accounting principles, and (c) any mortgage, deed of trust or security interest on any Property or Lease in favor of the provider or providers of any senior working capital facility and/or any senior term loan facility. It shall not be considered a default of this Agreement if, within ten (10) Business Days after Ultra receives notice of a lien against a Property, Ultra causes such lien to be released of record or provides Delta with insurance against the same issued by a major title insurance company or such other protection against the same as Delta shall accept in its sole and absolute discretion.

5.3 Sharing of Information

As long as any Obligations remain outstanding under any Guaranteed Lease, Ultra will provide to Delta, no later than fifteen (15) days after the end of each fiscal quarter of Ultra, a certificate of Ultra's Chief Operating Officer or Chief Financial Officer that (a) certifies the accuracy of an attached schedule listing each Guaranteed Lease and, with respect thereto, (i) the location of the Property covered by, and the parties to, such Guaranteed Lease, (ii) the expiration date of each Guaranteed Lease, and (iii) the current monthly rental payment by Ultra or its applicable Subsidiary and the date of any contractual escalation in the monthly rental payment under each Guaranteed Lease, and (b) certifies that Ultra is not in breach or default under any of the Guaranteed Leases and that no event exists which, with the passage of time, would become an event of breach or default (or, if applicable, identifies any exceptions).

5.4 Limitation on Assignment

As long as any Obligations remain outstanding with regards to a Guaranteed Lease, Ultra or its applicable Subsidiary may assign or otherwise transfer its rights, title and interests in and to under any such Guaranteed Lease, or sublease all or substantially all of any the Guaranteed Property, to a third party (any such proposed assignee, sublessee or transferee being a "**Proposed Transferee**," and any such proposed assignment, sublease or transfer being a "**Proposed Transfer**"); provided, however, that (a) Delta consents to such Proposed Transfer, which consent Delta may grant or withhold in its sole discretion, (b) effective upon or before such Proposed Transfer, a Release of all Delta Indemnities is obtained under such Guaranteed Lease, or (c) the Proposed Transferee is a direct or indirect wholly owned Subsidiary of Ultra, under common control with Ultra, or in control of Ultra at all times and Ultra remains primarily liable for the Obligations as if Ultra were still the tenant or assignee under the applicable Guaranteed Lease or Guaranteed Leases. Any transfer in violation of this Section 5.4 is void. Nothing herein shall limit or modify the requirements to obtain the consent of any Landlord under the terms of any Guaranteed Lease.

5.5 Further Assurances

At any time and from time to time, upon the request of the other Party, Ultra and Delta shall each execute and deliver to the other Party such further instruments and documents, and do such further acts and things, as such other Party may reasonably request in order to effectuate fully the purposes of this Agreement. To the extent it is possible without causing a default under any Lease, Delta shall take such other actions as may be reasonably requested in writing by Ultra in order to place Ultra, insofar as reasonably possible, in the same position as if the Leases for any Leased Real Property for which the Actual Closing did not occur on or before the Distribution Date had been transferred as contemplated hereby.

6. MISCELLANEOUS

6.1 Notices

All notices, requests, claims, demands and other communications under this Agreement shall be made and delivered in conformity with Section 11.6 of the Separation and Distribution Agreement.

6.2 Amendment and Waiver

Subject to Section 8.20(b) of the Agreement and Plan of Merger, this Agreement may be terminated, modified or amended at any time prior to the Effective Time by and in the sole discretion of Delta without the approval of Ultra or the stockholders of Delta. In the event of such termination, no Party shall have any liability of any kind to the other Party or any other Person. After the Effective Time, this Agreement may not be terminated, modified or amended except by an agreement in writing signed by Delta and Ultra. No failure to exercise and no delay in exercising, on the part of any Party, any right, remedy, power or privilege hereunder shall operate as a waiver hereof or thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

6.3 Entire Agreement

This Agreement, together with the documents referenced herein (including the Separation and Distribution Agreement), constitutes the entire agreement and understanding among the Parties with respect to the subject matter hereof and supersedes all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof. To the extent any provision of this Agreement conflicts with the provisions of the Separation and Distribution Agreement, the provisions of this Agreement shall be deemed to control with respect to the subject matter hereof.

6.4 Assignment; Successors and Assigns

This Agreement shall not be assignable, in whole or in part, directly or indirectly, by any Party hereto without the prior written consent of the other Party (not to be unreasonably withheld or delayed), and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be void. Notwithstanding the foregoing, this Agreement shall be assignable in whole in connection with a merger or consolidation or the sale of all or substantially all the assets of a Party hereto so long as the resulting, surviving or transferee entity assumes all the obligations of the relevant Party hereto by operation of law or pursuant to an agreement in form and substance reasonably satisfactory to the other parties to this Agreement. No assignment permitted by this Section 6.4 shall release the assigning Party from liability for the full performance of its obligations under this Agreement. The provisions of this Agreement and the obligations and rights hereunder shall be binding upon, inure to the benefit of and be enforceable by (and against) the Parties and their respective successors and permitted transferees and assigns.

6.5 Severability

In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The Parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

6.6 Governing Law; Jurisdiction

This Agreement (and any claims or disputes arising out of or related thereto or to the transactions contemplated thereby or to the inducement of any Party to enter therein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall in all respects be governed by and construed in accordance with the Laws of the State of New York, including all matters of construction, validity and performance, in each case without reference to any choice-of-law or conflict of law principles that might lead to the application of the laws of any other jurisdiction. Subject to the provisions of Section 9 of the Separation and Distribution Agreement, each of the Parties irrevocably submits to the exclusive jurisdiction of (a) the Fairfax County Circuit Court and any appeals courts thereof or (b) the United States District Court for the Eastern District of Virginia and any appeals courts thereof (the courts referred to in clauses (a) and (b), the “**Virginia Courts**”), for the purposes of any suit, action or other proceeding to compel arbitration or for provisional relief in aid of arbitration in accordance with Section 9 of the Separation and Distribution Agreement or to prevent irreparable harm, and to the non-exclusive jurisdiction of the Virginia Courts for the enforcement of any award issued thereunder. Each of the Parties further agrees that service of any process, summons, notice or document by U.S. registered mail to such Party’s respective address set forth in Section 11.6 of the Separation and Distribution Agreement shall be effective service of process for any action, suit or proceeding in the Virginia Courts with respect to any matters to which it has submitted to jurisdiction in this Section 6.6. Each of the Parties irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in the Virginia Courts, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

6.7 Waiver of Jury Trial

EACH OF THE PARTIES HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 6.7.

6.8 Counterparts

This Agreement may be executed in more than one counterpart, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the Parties and delivered to each of the Parties.

6.9 Third Party Beneficiaries

This Agreement is solely for the benefit of the Parties and should not be deemed to confer upon third parties any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

6.10 Force Majeure

No Party (or any Person acting on its behalf) shall have any liability or responsibility for failure to fulfill any obligation (other than a payment obligation) under this Agreement, so long as and to the extent to which the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event: (a) notify the other applicable Parties of the nature and extent of any such Force Majeure condition and (b) use due diligence to remove any such causes and resume performance under this Agreement as soon as feasible.

6.11 Double Recovery

Nothing in this Agreement is intended to confer to or impose upon any Party a duplicative right, entitlement, obligation or recovery with respect to any matter arising out of the same facts and circumstances.

6.12 Title and Headings

Titles and headings to sections herein are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

6.13 Construction

The Parties have participated jointly in the negotiation and drafting of this Agreement. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting or causing any instrument to be drafted.

[Signature Page Follows]

SIGNATORY

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

DXC TECHNOLOGY COMPANY

By: _____
Name: _____
Title: _____

PERSPECTA INC.

By: _____
Name: _____
Title: _____

Signature Page to Real Estate Matters Agreement

INTELLECTUAL PROPERTY MATTERS AGREEMENT

DATED AS OF [●]

by and between

DXC TECHNOLOGY COMPANY

and

PERSPECTA INC.

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This **INTELLECTUAL PROPERTY MATTERS AGREEMENT** (this “**Agreement**”) is dated as of [●], 2017 (the “**Effective Date**”), by and between [Delta], a Nevada corporation (“**Delta**”), and [Ultra], a Nevada corporation (“**Ultra**”). Each of Delta and Ultra is sometimes referred to herein as a “**Party**” and collectively as the “**Parties**”.

WHEREAS:

- (A) Delta, acting directly and through its direct and indirect Subsidiaries, currently conducts the Delta Business and the Ultra Business;
- (B) Delta and Ultra have entered into the Separation and Distribution Agreement by and between Delta and Ultra dated as of the date hereof (the “**Separation and Distribution Agreement**”), in connection with the separation of the Ultra Business from Delta and the Distribution of Ultra Common Stock to stockholders of Delta; and
- (C) in connection therewith, the Parties desire to enter into this Agreement.

NOW, THEREFORE, in consideration of and subject to the premises and the mutual agreements, terms and conditions herein contained, the benefits to be derived therefrom and other good and valuable consideration, the receipt and the sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 General

Capitalized terms used in this Agreement and not defined herein shall have the meanings ascribed in the Separation and Distribution Agreement. As used in this Agreement, the following terms shall have the following meanings:

“**Acquiring Person**” shall have the meaning set forth in Section 7.3(a) of this Agreement.

“**Affiliate**” shall have the meaning set forth in the Separation and Distribution Agreement.

“**Agreement**” shall have the meaning set forth in the preamble to this Agreement.

“**Applicable Licensed Product Items**” shall mean, with respect to each Licensed Product, the Licensed Product Items if and to the extent indicated on Schedule 1.1(a).

“**Applicable Licensor**” shall mean Delta or Ultra in its capacity as a licensor under this Agreement, as applicable.

“**Applicable Security Laws and Regulations**” shall mean regulations and policies promulgated by the Defense Security Service, including the National Industrial Security Program Operating Manual (NISPOM), established by Executive Order 12829, and analogue guidance from United States federal government intelligence agencies.

“**Change of Control**” shall mean the sale of all or substantially all of the assets of Ultra; any merger, consolidation or acquisition of Ultra with, by or into another corporation or other entity; any change in the ownership of more than fifty percent (50%) of the voting capital stock of Ultra or of any corporation of other entity controlling Ultra in one or more related transactions of the like.

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

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

“Contractor” shall mean any contractor, subcontractor or provider of outsourcing services to Ultra or a Ultra Subsidiary in relation to the Ultra Business that requires the right to use the Licensed Products or Licensed Product Items on behalf of Ultra or a Ultra Subsidiary in order to perform a Customer Contract.

“Customer” shall mean any Person who receives, directly or indirectly, goods and/or services from Ultra or any Ultra Subsidiary in connection with the operation of the Ultra Business and shall exclude (for the avoidance of doubt) any Contractor.

“Customer Contract” shall mean any contract, including all task and delivery orders issued thereunder, assumed or entered into between Ultra or any Ultra Subsidiary, on the one hand, and a Customer, on the other hand, in connection with the Ultra Business.

“Delta” shall have the meaning set forth in the preamble to this Agreement.

“Delta Business” shall have the meaning set forth in the Separation and Distribution Agreement.

“Delta Field” shall have the meaning set forth in the Separation and Distribution Agreement.

“Delta Improved Imminent IP” shall mean Improvements made to Imminent Ultra IP by Delta during the Term and owned by Delta.

“Delta Indemnitee” shall have the meaning set forth in Section 9.2 of this Agreement.

“Delta Legacy Products and Offerings” shall mean software products and offerings (including, whether or not part of any Ultra or Delta offering) any related documentation, code, materials and other components and the underlying Intellectual Property Rights therein) developed or acquired by Delta prior to April 1, 2017 or by the Delta Business (including, but not limited to, such products and offerings acquired through corporate acquisitions/collaborations by Delta regardless of date, such as Tribridge or Racemi) and which are used in the conduct of the Ultra Business as of the date of this Agreement, including any Improvements made by the Ultra Business to such Delta Legacy Products, but not including the Distributed Products. **“Delta Licensed Know-How”** shall mean the information, ideas, knowledge, skill and experience owned by Delta or a Delta Subsidiary as of the Effective Date whether or not proprietary or patentable, or public or confidential, and whether stored or transmitted in oral, documentary, electronic or other form and excluding, for the avoidance of doubt, any Restricted IP, Licensed Products, Licensed Product Items, Licensed Mark and Delta Legacy Products.

“Delta Proprietary Items” shall mean the Licensed Products, the Licensed Product Items, the Delta Licensed Know-How, Distributed Products, Delta Legacy Products, Delta Improved Imminent IP and the Licensed Marks and any databases and Software a part of or ancillary thereto, any update, modification, enhancement, derivative work, data format, engine, platform, program, method of processing, graphical user interface, technique, procedure, concept, form, image, documentation, specification, development language, development tool, design, flow chart, instructional material, user booklet, printouts, or other written or machine-readable materials that are a part of or ancillary to the Licensed Products, the Licensed Product Items, the Delta Licensed Know-How, Distributed Products, Delta Legacy Products, Delta Improved Imminent IP and the Licensed Marks and also includes all copyrights, trademarks, trade secrets, patents and other intellectual property right subsisting in or covering any of them.

“Delta Subsidiary” shall mean any direct or indirect wholly owned subsidiary of Delta.

“DFARS” shall mean the U.S. Department of Defense Federal Acquisition Regulation Supplement.

“Distributed Products” shall mean software products in existence and owned by Delta or a Delta Subsidiary as of the Effective Date (including any related documentation and materials) that are distributed in binary form to Customers or are distributed by Delta in binary form to its customers that Ultra reasonably requires to conduct the Ultra Business at any time after the Effective Date, other than the Licensed Products.

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

“Effective Date” shall have the meaning set forth in the preamble to this Agreement.

“Employee Matters Agreement” shall have the meaning set forth in the Separation and Distribution Agreement.

“Enforcement Action” shall have the meaning set forth in Section 2.6 of this Agreement.

“Export Control Laws and Regulations” shall mean trade controls found at 22 U.S.C. 2778 of the Arms Export Control Act (“AECA”) Executive Order 13637, the International Traffic in Arms Regulations (“ITAR”) 22 CFR 120-130 Executive Order 13556, and DFARS 252.204-7000 Disclosure of Information and similar special clauses inserted in United States federal government contracts to which Ultra or a Ultra Subsidiary is a party or that have been passed through to Ultra or a Ultra Subsidiary as a subcontractor and that require United States government contracting officer consent prior to disclosure to Third Parties of unclassified documents subject to disclosure restrictions.

“FAR” shall mean the U.S. Federal Acquisition Regulation.

“Governmental Entity” shall have the meaning set forth in the Separation and Distribution Agreement.

“Imminent Ultra IP” shall mean any Intellectual Property Rights acquired (whether by merger, consolidation, stock or asset purchase or other similar transaction) by Ultra or an Ultra Subsidiary or developed (including by way of improvement) by Ultra or a Ultra Subsidiary without making use of any Delta Proprietary Items, in each case within six (6) months after the Effective Date, excluding all Intellectual Property Rights of Vector, Kodiak and their respective direct and indirect Subsidiaries.

“Imminent Ultra IP License” shall have the meaning set forth in Section 4.1(a) of this Agreement.

“Improvements” shall mean, with respect to any Licensed Product, Licensed Product Items, Imminent Ultra IP, Ultra-Owned Products, Ultra Intellectual Property, Distributed Products and Delta Legacy Products, Vector and Kodiak Intellectual Property, all derivative works of such Licensed Product, Licensed Product Items, Distributed Products, Ultra-Owned Products, Vector and Kodiak Intellectual Property, Ultra Intellectual Property, Delta Legacy Products or Imminent Ultra IP as well as all inventions, modifications, improvements, fixes, enhancements and/or updates made to or derived therefrom, in each case whether or not any of the foregoing is entitled to protection under applicable Law.

“Intellectual Property Rights” shall mean all intellectual property, proprietary and industrial property rights of any kind worldwide, including all (i) patents, patent applications, inventions and invention disclosures and utility models, (ii) Trademarks, (iii) copyrights and copyrightable subject matter, including software, code, algorithms, databases, compilations and documentation, (iv) technology, trade secrets, know-how, processes, formulae, models, methodologies, discoveries, ideas, concepts, techniques, designs, specifications, drawings, blueprints, diagrams, models and prototypes, (v) moral rights and rights of privacy and publicity, (vi) all registrations, applications, continuations, continuations-in-part, divisionals, reissues, re-examinations, substitutions, renewals, extensions and foreign counterparts thereof and (vii) all rights and remedies against infringement, misappropriation, or other violation of the foregoing.

“Know-How License” shall have the meaning set forth in Section 2.3(a) of this Agreement.

“Kodiak” shall mean [●]

“Law” shall mean all laws, statutes and ordinances and all regulations, rules and other pronouncements of Governmental Entities having the effect of law of the United States of America, any foreign country, or any domestic or foreign state, province, commonwealth, city, country, municipality, territory, protectorate, possession or similar instrumentality, or any Governmental Entity thereof.

“License Year” shall mean the twelve (12)-month period commencing on the Effective Date and extending through the corresponding date in the following year and each subsequent twelve (12)-month period thereafter during the Term.

“Licensed Marks” shall have the meaning set forth in Section 2.4(a) of this Agreement.

“Licensed Product Configuration Software” shall mean the code owned by Delta or its controlled Affiliates that, together with the applicable Third Party Software licensed directly by Ultra from such Third Party, is used to create a Licensed Product, including scripts, configuration files, blueprints and Delta proprietary Software.

“Licensed Product Documentation” shall mean the offering and/or service descriptions, installation and instructional guides and training materials generally provided by Delta to clients for use in connection with a Licensed Product.

“Licensed Product Items” shall mean the Licensed Product Configuration Software, Licensed Product Documentation, Licensed Product Sales Materials and Licensed Product Specifications, collectively.

“Licensed Product Sales Materials” shall mean sales and marketing materials generally provided by Delta to its internal sales personnel for use in connection with the Licensed Products, including pricing information as indicated on Schedule 1.1(b).

“Licensed Product Specifications” shall mean the technical description and specifications of the Licensed Products that Delta uses to build and support the Licensed Products, but that are not provided to Delta clients or resellers.

“Licensed Products” shall mean only such Software (inclusive of binaries, APIs, libraries, scripts, patches, configuration files, examples and documentation) and other products and services as listed on Schedule 1.1(a), collectively, developed by and used in the conduct of the Ultra Business as of the date of this Agreement, but not including the Distributed Products or the Delta Legacy Products. In no event shall the Licensed Products include any Software, Technical Data or other materials (or the Intellectual Property rights protecting them) developed or acquired, in whole or in part, by Delta.

“Losses” shall mean all losses, damages, claims, demands, judgments or settlements of any nature or kind, known or unknown, fixed, accrued, absolute or contingent, liquidated or unliquidated, including all reasonable costs and expenses (legal, accounting or otherwise as such costs are incurred) relating thereto, suffered by a Delta Indemnitee or a Ultra Indemnitee.

“Party” and **“Parties”** shall have the meaning set forth in the preamble to this Agreement.

“Person” shall mean any natural person, corporation, business trust, limited liability company, joint venture, association, company, partnership or government, or any agency or political subdivision thereof.

“Pre-COC Subsidiaries” shall have the meaning set forth in Section 7.3(a) of this Agreement.

“Products License” shall have the meaning set forth in Section 2.1(a) of this Agreement.

“Recoveries” shall have the meaning set forth in Section 2.6 of this Agreement.

“Restricted IP” shall mean all Intellectual Property Rights relating exclusively to, used exclusively in, or arising exclusively from those products or services set forth on Schedule 1.1(e).

“Restricted IP Assignment” shall have the meaning set forth in Section 3.1(a).

“Separation and Distribution Agreement” shall have the meaning set forth in the recitals to this Agreement.

“Shared Field” shall have the meaning set forth in the Separation and Distribution Agreement.

“Software” shall mean any software whether in source code or object code, including application software, instructions for controlling the operation of a central processing unit or computer, firmware, middleware, mobile digital applications, assemblers, applets, compilers and binary libraries, but specifically excluding any licensed Third Party software.

“Tax” shall mean all income, excise, gross receipts, ad valorem, value-added, sales, use, employment, franchise, profits, gains, property, transfer, use, payroll, intangibles or other taxes, fees, stamp taxes, duties, charges, levies or assessments of any kind whatsoever (whether payable directly or by withholding), together with any interest and any penalties, additions to tax or additional amounts imposed by any Tax authority with respect thereto.

“Technical Data” shall mean recorded information, regardless of the form or method of the recording, of a scientific or technical nature (including computer software documentation). The term does not include computer software or data incidental to contract administration, such as financial and/or management information.

“Term” shall have the meaning set forth in Section 5.1 of this Agreement.

“Third Party” shall mean any Person who is not a Party to this Agreement.

“Third Party Reimbursement Fee” shall mean all out-of-pocket fees and other costs payable to Third Parties by Delta or Delta Subsidiaries as a result of the creation of a copy of any Licensed Product.

“Trademarks” shall mean trademarks, service marks, corporate names, trade names, domain names, logos, slogans, designs, social media identifiers, trade dress and other designations of source or origin, together with the goodwill symbolized by any of the foregoing.

“Trademarks License” shall have the meaning set forth in Section 2.4(a) of this Agreement.

“Ultra” shall have the meaning set forth in the preamble to this Agreement.

“Ultra Business” shall have the meaning set forth in the Separation and Distribution Agreement.

“Ultra Field” shall have the meaning set forth in the Separation and Distribution Agreement.

“Ultra Indemnitee” shall have the meaning set forth in Section 9.1 of this Agreement.

“Ultra Intellectual Property” shall mean any Intellectual Property Rights owned by Ultra pursuant to the Separation and Distribution Agreement, excluding any Imminent Ultra IP.

“Ultra Licensed Know-How” shall mean the information, ideas, knowledge, skill and experience owned by Ultra or an Ultra Subsidiary as of the Effective Date whether or not proprietary or patentable, or public or confidential, and whether stored or transmitted in oral, documentary, electronic or other form and excluding, for the avoidance of doubt, any Ultra-Owned Products, Ultra Intellectual Property and Imminent Ultra IP.

“Ultra-Owned Products” shall mean those products listed as “Ultra Owned Products” on Schedule 1.1(c).

“Ultra Personnel” shall mean employees, officers and directors of Ultra or any Ultra Subsidiary engaged in the Ultra Business. Ultra Personnel shall be deemed to exclude all Customers, resellers, distributors or other Persons performing similar functions and any employees, partners, authorized agents and representatives of any such Persons but shall include (for the avoidance of doubt) any Contractor.

“Ultra Security and Digital Protection Services Business” shall mean the Ultra business providing services relating to security and protection of digital enterprises and assets, networks and devices and users thereof.

“Ultra Subsidiary” shall mean any direct or indirect subsidiary of Ultra that is controlled by Ultra.

“Unlicensed Marks” shall mean all Trademarks owned by Delta or its controlled Affiliates other than the Licensed Marks.

“Vector” shall mean [●]

“Vector and Kodiak IP” shall mean the Intellectual Property owned by Vector, Kodiak or a Vector or Kodiak subsidiary as of the Effective Date.

“Vector Labs” shall mean the business currently operated by Vector under that name engaged primarily in communications and information research and engineering.

“Virginia Courts” shall have the meaning set forth in Section 12.14 of this Agreement.

1.2 References; Interpretation

References in this Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. Unless the context otherwise requires, the words “include”, “includes” and “including” when used in this Agreement shall be deemed to be followed by the phrase “without limitation”. Unless the context otherwise requires, references in this Agreement to Sections, Exhibits and Schedules shall be deemed references to Sections of, and Exhibits and Schedules to, this Agreement. Unless the context otherwise requires, the words “hereof”, “hereby” and “herein” and words of similar meaning when used in this Agreement refer to this Agreement in its entirety and not to any particular Section or provision of this Agreement. The words “written request” when used in this Agreement shall include email. In the event of any inconsistency or conflict that may arise in the application or interpretation of any of the definitions set forth in Section 1.1, for the purpose of determining what is and is not included in such definitions, any item explicitly included on a Schedule referred to in any such definition shall take priority over any provision of the text thereof.

2. GRANT OF IP AND LICENSES TO ULTRA

2.1 Grant of Products License

- (a) Upon the terms and subject to the conditions set forth in this Agreement, including Section 2.2, and excluding any Intellectual Property Rights of any Third Party in the Licensed Products and the Applicable Licensed Product Items, Delta hereby grants to Ultra a perpetual, non-transferrable, non-assignable, royalty-free limited license to access and use the Licensed Products and the Applicable Licensed Product Items and to sublicense the use of Licensed Products and the Applicable Licensed Product Items solely to Ultra Subsidiaries, in each case in accordance with and as expressly permitted by this Agreement and in no other manner whatsoever (the “**Products License**”). The Products License shall not include the right of Ultra to distribute, resell or otherwise transfer (including software-as-a-service distribution) any Licensed Product to any Customer in binary code form or otherwise. During the Term, the Products License shall be (i) limited solely to use in the Ultra Field and Shared Field and (ii) exclusive for use in the Ultra Field (other than and subject to any rights in respect of the Licensed Products or the Applicable Licensed Product Items granted by Delta or any Delta Subsidiaries to any Third Party prior to the date of this Agreement) even as against Delta.
- (b) The Products License shall not entitle Ultra to access or use in accordance herewith, including Section 2.1(d), any Improvements to the Licensed Products or the Applicable Licensed Product Items or any new versions thereof, in each case that are created and released by Delta after the date of this Agreement. Ultra shall have the right to make its own Improvements to the Licensed Products or the Applicable Licensed Product Items.
- (c) Ultra hereby assigns, and agrees to cause all Ultra Subsidiaries to assign, all right (including all Intellectual Property Rights), title and interest in and to any and all Improvements made or created from or based on any Licensed Products or Applicable Licensed Product Items by or on behalf of Ultra or a Ultra Subsidiary (including by Contractors) following the Effective Date to Delta, and, as between the Parties and any Ultra Subsidiaries (and each agreement with a Contractor shall so provide), Delta shall have sole and exclusive ownership of such Improvements and all right (including all Intellectual Property Rights), title and interest therein and thereto.

- (d) Ultra shall provide Delta with written notice of any Improvements made or created from or based on any Licensed Products or Applicable Licensed Product Items by or on behalf of Ultra or a Ultra Subsidiary or, to Ultra's knowledge, any Contractor during the Term. After such notice is provided, such Improvements shall automatically be included in the definition of Licensed Product Items, and the Products License granted to Ultra in Section 2.1(a) shall automatically be amended to allow Ultra to use such Improvements under the terms and conditions set forth in this Agreement.
- (e) The Products License does not create on behalf of Ultra or any Ultra Subsidiary or Contractor any right to or interest in or right of possession or access to any source code relating to the Licensed Products or Applicable Licensed Product Items or any right to possess, or copy or decompile object code relating to the Licensed Products or Applicable Licensed Product Items, in each case, other than as indicated on Schedule 1.1(a).
- (f) Ultra (acting through Ultra Personnel) may use the Licensed Products and the Applicable Licensed Product Items only to the extent required in connection with the operation of the Ultra Business, which during the Term shall be solely in the Ultra Field and Shared Field, and otherwise in accordance with this Agreement.
- (g) Ultra shall not transfer, assign or sublicense, or purport to transfer, assign or sublicense, its rights under the Licensed Products or Applicable Licensed Product Items other than to Ultra Subsidiaries and Contractors to the extent required in connection with the operation of the Ultra Business.
- (h) Notwithstanding anything to the contrary contained herein, the Products License shall not extend to any Acquiring Person or to any Affiliate or subsidiary of any such Acquiring Person (other than Ultra and Pre-COC Subsidiaries). Without limiting the foregoing, if any material operations or businesses are contributed by any Affiliate of an Acquiring Person (other than a Pre-COC Subsidiary) to Ultra or a Pre-COC Subsidiary, such contributed operations or businesses shall not be entitled to any of the rights granted pursuant to the Products License.

2.2 Applicable Licensed Product Items

- (a) Notwithstanding anything herein to the contrary, to the extent the Products License granted to Ultra in Section 2.1(a) entitles Ultra to any Licensed Product Configuration Software, Ultra shall only be permitted pursuant to such license to (i) access, use and copy such Licensed Products Configuration Software, (ii) make Improvements to such Licensed Products Configuration Software if and only to the extent Ultra is also entitled to the source code for the Licensed Product Configuration Software as indicated on Schedule 2.2(a) and (iii) either sublicense the Licensed Product Configuration Software to Ultra Subsidiaries or use the Licensed Product Configuration Software for internal use only in each case as specified on Schedule 2.2(a).
- (b) Notwithstanding anything herein to the contrary, to the extent the Products License granted to Ultra in Section 2.1(a) entitles Ultra to Licensed Product Documentation, Ultra shall only be permitted pursuant to such license to (i) access, use, copy and make Improvements to such Licensed Product Documentation and (ii) sublicense such Licensed Product Documentation to Ultra Subsidiaries.
- (c) Notwithstanding anything herein to the contrary, to the extent the Products License granted to Ultra in Section 2.1(a) entitles Ultra to any Licensed Product Specifications, Ultra shall only be permitted pursuant to such license to access, use, copy and make Improvements to such Licensed Product Specification for internal use only as necessary to support the applicable Licensed Product. For the avoidance of doubt, under no circumstances shall Ultra or any Ultra Subsidiaries provide copies of, display or otherwise disclose the Licensed Product Specifications to Customers or to any Third Party other than Ultra Personnel.

- (d) Notwithstanding anything herein to the contrary, to the extent the Products License granted to Ultra in Section 2.1(a) entitles Ultra to any Licensed Product Sales Materials, Ultra shall only be permitted pursuant to such license to access, use, copy and make Improvements to such Licensed Product Sales Materials solely for internal use.

2.3 Grant of Know-How License

- (a) Upon the terms and subject to the conditions set forth in this Agreement, Delta hereby grants to Ultra a perpetual, non-transferrable, non-assignable, royalty-free limited license to access, use, copy, and make Improvements to the Delta Licensed Know-How in accordance with and as permitted by this Agreement (the “**Know-How License**”). During the Term, the Know-How License shall be (i) limited solely to the Ultra Field and Shared Field and (ii) exclusive in the Ultra Field (other than and subject to any rights in respect of the Delta Licensed Know-How granted by Delta or any Delta Subsidiaries to any Third Party prior to the date of this Agreement) even as against Delta.
- (b) Ultra shall not transfer, assign or sublicense, or purport to transfer, assign or sublicense, its rights under the Delta Licensed Know-How other than to Ultra Subsidiaries to the extent required in connection with the operation of the Ultra Business solely in the Ultra Field and Shared Field and in accordance with this Agreement.

2.4 Assignment of Trademarks and Trademarks License

- (a) Upon the terms and subject to the conditions set forth in this Section 2.4, Delta hereby assigns, transfers and conveys to Ultra all of Delta’s right, title and interest in the trademarks, service marks, logos, and domain names listed on Schedule 2.4(a), whether registered or unregistered, and any and all goodwill symbolized thereby (the “**Transferred Marks**”).
- (b) Upon the terms and subject to the conditions set forth in this Section 2.4, including Section 2.4(d), Delta hereby grants to Ultra and Ultra Subsidiaries a non-transferrable, non-assignable, royalty-free, non-exclusive, limited license to use the trademarks, service marks, logos, and domain names listed on Schedule (b), whether registered or unregistered (the “**Licensed Marks**”), within the Ultra Field, in connection with the operation, advertisement, marketing, promotion and support of the Ultra Business and the Licensed Products in a manner not likely to cause confusion with the Unlicensed Marks (the “**Trademarks License**”).
- (c) Ultra acknowledges and agrees, and agrees to cause all Ultra Subsidiaries to acknowledge and agree, that all right (including all Intellectual Property Rights), title and interest in the Licensed Marks are owned exclusively by Delta. No right, title or interest in any Unlicensed Marks are granted to Ultra, Ultra Subsidiaries or any Third Party by this Agreement.
- (d) Notwithstanding anything herein to the contrary, the Trademarks License is hereby expressly limited to the right of Ultra to use, for up to six (6) months after the date hereof, such marks as part of an existing corporate or entity name of any Ultra Subsidiary and for no other purpose whatsoever; provided, however, that Ultra shall, and shall cause the applicable Ultra Subsidiaries to, (i) use its and their best efforts to promptly file amended articles of incorporation (or equivalent organizational documents) with the appropriate Governmental Entity changing its corporate or entity name to a corporate or entity name that does not contain “DXC,” “Enterprise Services,” “Enterprise Data Systems” or “EDS,” and (ii) provide Delta with any additional information, documents and materials that Delta may request to evidence those filings. None of the other Licensed Marks may be used by Ultra or Ultra Subsidiaries as a corporate or entity name, or trade name.

- (e) Ultra's and Ultra Subsidiaries' use of the Licensed Marks shall comply with relevant elements of Delta's trademark guidelines and applicable Laws. Delta further reserves the right to approve the quality and propriety of any goods or services using the Licensed Marks, which approval shall not be unreasonably withheld, conditioned or delayed. It is the purpose of this provision to prevent uses of the Licensed Marks in a manner that are inconsistent with Delta's high quality of goods and services or in a manner that might be offensive to ordinary and customary standards of exceptional service as determined by Delta, in its sole discretion, or that could undermine or damage the reputation of Delta. Ultra further agrees to furnish Delta, upon request, with sample specimens of each item bearing or displaying the Licensed Marks or pre-printed promotional literature, video, media production, web pages, or other marketing aids which Ultra or Ultra Subsidiaries proposes to use with and which incorporate the Licensed Marks. Ultra agrees that all advertising and promotional materials in which it and Ultra Subsidiaries use the Licensed Marks shall be truthful in all respects. Delta shall have the right to require Ultra and Ultra Subsidiaries to make reasonable changes to such literature or marketing aids, or to any goods or services, for the purpose of eliminating inaccuracies, to ensure compliance with the requirements of this section or otherwise to protect the Licensed Marks. If no objection is made by Delta within ten (10) Business Days after its receipt of such material, Delta shall be deemed not to object to its use or distribution. Delta shall not be deemed to endorse the accuracy of, or assume any legal responsibility for the contents of, such promotional material or media presentations. Ultra and Ultra Subsidiaries may not modify, change or alter any Licensed Mark without the prior written consent of Delta. Ultra agrees that it shall not, directly or indirectly, do, omit to do, or permit to be done, any act that will or may dilute the goodwill associated with the Licensed Marks or tarnish or bring into disrepute the reputation of or goodwill associated with the Licensed Marks or Delta or that will or may invalidate or jeopardize any registration of the Licensed Marks. Ultra and Ultra Subsidiaries shall not purchase Internet keywords or domain names containing the Licensed Marks.
- (f) Ultra recognizes the ownership of, and great value of the goodwill associated with, the Licensed Marks. Ultra acknowledges that such goodwill belongs to Delta and that such Licensed Marks, have inherent and/or acquired distinctiveness and are famous marks. Nothing in this Agreement gives Ultra and Ultra Subsidiaries any right, title, or interest in the Licensed Marks, except the right to use the Licensed Marks in accordance with the terms of this Agreement. Ultra's and Ultra Subsidiaries' use of the Licensed Marks shall inure to the benefit of Delta. Ultra and Ultra Subsidiaries will not, and will not cause any other Person to, seek to register any marks for, containing, or confusingly similar to, the Licensed Marks. Ultra and Ultra Subsidiaries shall not, and shall not cause any other Person to, oppose or seek to cancel or challenge, in any forum anywhere in the world, including, but not limited to, the United States Patent and Trademark Office, any application or registration by Delta for the Licensed Marks, or any composite mark containing a Licensed Mark as an element of such composite mark. Further, Ultra and Ultra Subsidiaries shall not, and shall not cause any other Person to, object to, or file any action or lawsuit because of, any use by Delta of (i) the Licensed Marks, (ii) any composite mark containing a Licensed Mark, or (iii) any company name, corporate name, trade name, keyword, or domain name consisting of or containing any of the Licensed Marks, for or in connection with any goods or services, whether such use is by Delta directly or through Delta's licensees, Delta Subsidiaries, or Delta's authorized users; and Ultra and Ultra Subsidiaries will not, and will not cause any other Person to, take any other action that may adversely affect or contest Delta's ownership of or right to use or the validity, incontestability or enforceability of the Licensed Marks, any composite mark containing a Licensed Mark, or the goodwill associated with the Licensed Marks.

- (g) Ultra and Ultra Subsidiaries will display on materials utilizing or displaying the Licensed Marks any notice, marking, or indicia of ownership required by this Agreement or otherwise by Delta from time to time. Ultra and Ultra Subsidiaries will in all material respects, use the Licensed Marks in a manner reasonably calculated to prevent the Licensed Marks from becoming generic or otherwise invalid.
- (h) Ultra agrees to notify Delta in writing, as promptly as reasonably practicable, of any of the following that may come to the attention of Ultra: (i) any adoption, use, or registration of any mark, trade name, trading style or corporate name, domain name, or designation which would infringe, impair or dilute, or tend to infringe, impair or dilute, the Licensed Marks, (ii) any challenge to Delta's use, Ultra's use, or Ultra Subsidiaries' use of any Licensed Mark, or (iii) any claim made by any Person of any rights in any Licensed Mark.
- (i) Except as provided herein, Delta shall be responsible, at its sole discretion, for renewing and maintaining at Delta's expense all trademark applications and registrations for the Licensed Marks. Delta may elect, for any reason, not to renew any applications and registrations for the Licensed Marks. Each Party agrees to cooperate and provide promptly, upon any request by the other Party, appropriate samples and specimens of Delta's, Ultra's, and Ultra Subsidiaries' use of the Licensed Marks and to otherwise assist the relevant Party in applying for, registering, maintaining and renewing Delta's applications and registrations for the Licensed Marks, at Delta's expense.
- (j) Nothing in this Agreement shall constitute any representation or warranty by Delta that any Licensed Mark is valid or that the exercise by Ultra or any Ultra Subsidiary of any rights granted under this Agreement with respect to any Licensed Mark will not infringe the Intellectual Property Rights of any Person.

2.5 Preservation of Ownership of Proprietary Rights and Sublicense Requirements

- (a) All rights not specifically granted to Ultra herein are hereby retained by Delta. There are no implied licenses to any of the Delta Proprietary Items (or to any right, title or interest therein or part, portion or aspect thereof). Ultra covenants, and agrees to cause all Ultra Subsidiaries and require all other sublicensees to covenant, to take no action or commit any omission that would reasonably be expected to be adverse to Delta's sole and exclusive ownership of all right (including all Intellectual Property Rights), title and interest in and to the Delta Proprietary Items and shall not (i) apply to register or cooperate in any effort by any Third Party to register any right (including any Intellectual Property Rights), title or interest in or to any Delta Proprietary Items anywhere in the world in connection with any products or services, (ii) challenge or participate in any challenge or diminution of Delta's rights (including any Intellectual Property Rights) in the Delta Proprietary Items, or (iii) do anything else inconsistent with Delta's rights (including any Intellectual Property Rights) in the Delta Proprietary Items. If, contrary to the intent of the Parties, it should occur that Ultra has any rights of ownership in the Delta Proprietary Items, Ultra hereby agrees, at any time upon the written request of Delta, to assign and to sell for ten dollars (US\$10.00) to Delta any and all such rights of ownership as well as the entire right, title and interest to any such right (including any attendant goodwill), and Ultra agrees that it has not entered and shall not enter into any agreement with any Third Party, including any Ultra Subsidiaries or other sublicensees, or otherwise take or fail to take

any action, that would prevent such assignment and sale. Ultra shall promptly upon request by Delta execute, without additional consideration, any assignment or other document that may be reasonably necessary or appropriate for Delta to purchase, take assignment or perfect its ownership interest or to memorialize, record or otherwise denote or demonstrate ownership by Delta of all right (including all Intellectual Property Rights), title and interest in and to any Delta Proprietary Items.

- (b) Delta shall be responsible, at Delta's own expense, for, and shall make all decisions concerning, the preparation, filing, registration, prosecution, renewal, enforcement and maintenance of any Intellectual Property Rights in or covering any Delta Proprietary Item. Ultra agrees to, and agrees to cause all Ultra Subsidiaries and require all other sublicensees to, cooperate fully with, and provide reasonable assistance to, Delta in respect thereof, at Delta's own expense.
- (c) In order to assign title to Delta in accordance with the terms of this Agreement, Ultra shall use commercially reasonable efforts to obtain title to inventions made in the performance of a Customer Contract.
- (d) Unless Delta has provided its express, prior written consent (in accordance with Delta's internal delegation of authority policy and procedures), Ultra shall not enter into any Customer Contract involving the use of any Delta Proprietary Item if such Customer Contract includes any provision that grants any Governmental Entity ownership or title to any Delta Proprietary Item.
- (e) Ultra shall set forth in written agreements with any sublicensee all applicable restrictions and obligations regarding Delta Proprietary Items as set forth in this Agreement. Ultra shall not grant any right to or fail to require any obligation from any permitted sublicensee that is inconsistent with the terms and conditions of this Agreement or reduces or eliminates protections of Delta Proprietary Items or Delta's ownership of Delta Proprietary Items as set forth herein.
- (f) Ultra shall set forth in written agreements with any Contractor all applicable restrictions and obligations regarding such Licensed Product or the Applicable Licensed Product Items as set forth in this Agreement.

2.6 Enforcement Actions

Ultra agrees to notify Delta in writing, as promptly as reasonably practicable, of any actual, threatened or alleged infringement, challenge, misappropriation, claim, impairment or violation of any Intellectual Property Rights relating to the Licensed Products, Delta Licensed Know-How or Licensed Marks that comes to the attention of Ultra or a Ultra Subsidiary. Delta shall have sole and exclusive authority and discretion to take such legal action as it deems appropriate and control any dispute, claim, litigation, United States Patent and Trademark Office or other U.S. or foreign governmental or administrative proceeding, or other action arising out of any actual or alleged infringement, challenge, misappropriation, claim, impairment or violation of any Intellectual Property Rights relating to the Delta Proprietary Items and including any brought by a Third Party (an "**Enforcement Action**"). Unless the Parties otherwise agree, all costs and expenses related to an Enforcement Action shall be borne by Delta, and Delta shall be entitled to all monetary damages, fines, settlement payments, costs, attorneys' fees, and other amounts ("**Recoveries**") awarded to Delta as a direct result of an Enforcement Action. Ultra shall, and if requested by Delta cause Ultra Subsidiaries and any sublicensees to, at Delta's expense, cooperate fully and promptly with Delta with respect to such Enforcement Action, in such manner and to such extent as Delta may reasonably request, including joining such Enforcement Action as a party. Nothing herein shall be construed as requiring Delta to take any action to bring or defend any Enforcement Action or to indemnify or hold harmless Ultra, Ultra Subsidiaries, or any sublicensees in

connection therewith. During the Term, in the event Delta provides written notice or confirmation to Ultra that it determines not to bring an Enforcement Action, Ultra may, with the prior written consent of Delta (which consent may be withheld by Delta for any reason in its sole discretion), bring an Enforcement Action with respect to any violation of the Licensed Products, Delta Licensed Know-How or Licensed Marks that Ultra reasonably believes would have a material and adverse effect on its business; provided, however, that Ultra shall not compromise or settle any Enforcement Action without the prior written consent of Delta; provided, further that Ultra shall indemnify, defend and hold harmless (at Ultra's sole cost and expense) Delta for any losses of Delta arising from or relating to such Enforcement Action brought by Ultra without Delta's prior written consent, including, for the avoidance of doubt, any losses arising from any counterclaim to such Enforcement Action. Unless the Parties otherwise agree, all costs and expenses related to an Enforcement Action brought by Ultra shall be borne by Ultra and any Recoveries awarded to Ultra as a direct result of an Enforcement Action brought by Ultra shall belong to Ultra. Delta shall, if reasonably requested by Ultra and at Ultra's expense, provide and cause its controlled Affiliates to provide reasonable cooperation with respect to any such Enforcement Action. For the avoidance of doubt, nothing herein shall be construed as requiring Delta to join as a party any Enforcement Action brought by Ultra.

2.7 Prohibited Uses and Administrative Obligations

- (a) Except as expressly permitted by this Agreement (including Section 2.7(b)) or with the prior written consent of Delta (not to be unreasonably withheld, conditioned or delayed) in accordance with Schedule 2.7(a), Ultra shall not, nor shall it allow or give permission to any Third Party, including but not limited to any Ultra Subsidiary, Customer or Governmental Entity, to:
 - (i) use, copy (except for internal archival purposes), distribute, rent, lease, license, lend, give, sublicense, disclose or transfer any of the Delta Proprietary Items or any portion thereof;
 - (ii) access or make available to any Third Party source code in any manner (and whether or not subject to escrow arrangements) relating to the Licensed Products, Licensed Product Items or any portion thereof;
 - (iii) translate, modify, adapt, enhance, extend, decompile, disassemble or reverse engineer the Licensed Products, Licensed Product Items or any portion thereof;
 - (iv) transfer, assign or sublicense, or purport to transfer, assign or sublicense, to any Third Party any right, including any Intellectual Property Rights, in or to any of the Delta Proprietary Items;
 - (v) allow any of the Delta Proprietary Items or any right in any of them to become subject of any charge, lien or encumbrance;
 - (vi) alter, remove or obscure any trademark, copyright, trade secret, patent, proprietary right and/or other legal notice of Delta that are part of or affixed to any of the Delta Proprietary Items;
 - (vii) modify, decompile, disassemble or reverse engineer or otherwise attempt to derive, obtain or modify the source code to, write or develop any derivative software based upon the Licensed Products, or sell, rent, lease, license, sublicense, copy, reproduce, disclose or transmit the Delta Proprietary Items or any portion thereof, or permit any Third Party to do any of the foregoing, for any purpose whatsoever;

- (viii) use or permit use of the Delta Proprietary Items by a Third Party or on any service bureau, time-sharing or similar system; or
- (ix) create Improvements or additions to any of the Delta Proprietary Items.

For purposes of this Section 2.7(a), Delta Proprietary Items shall include, with respect to Delta Licensed Know-How, only that Delta Licensed Know-How that is Technical Data related to Licensed Products or any other reasonably identifiable products or services in existence and owned by Delta or a Delta Subsidiary as of the Effective Date.

- (b) Prior to entering into any Customer Contract in connection with any Delta Proprietary Items with any Governmental Entity, Ultra or the applicable Ultra Subsidiary shall first (i) obtain a written acknowledgment from the relevant contracting officer that such Delta Proprietary Items required to be delivered or used in performance of such Customer Contract are “commercial items” as such term is defined in FAR 2.101, (ii) ensure that the regulatory-specified contract clauses and licenses, if any, for the acquisition of such “commercial items” are included in such Customer Contract and (iii) obtain a written acknowledgment from the relevant contracting officer that any modifications to such “commercial items” are (A) of a type customarily available in the commercial marketplace or (B) minor modifications made to meet U.S. federal government requirements.
- (c) Ultra shall effect and maintain security measures as are necessary to safeguard the Delta Proprietary Items from any unauthorized access or use by any Person. Ultra shall cause Ultra Subsidiaries to comply with the terms and conditions of this Agreement and Ultra shall be liable hereunder for the actions and inactions of Ultra Subsidiaries, all Ultra Personnel and all other sublicensees as though they were the actions or inactions of Ultra.
- (d) Ultra shall not, and agrees to cause Ultra Subsidiaries to not, take any action or grant any sublicense to any Person that exceeds the scope of any license or right to sublicense granted by this Agreement.
- (e) Ultra shall not, and agrees to cause Ultra Subsidiaries to not, directly or indirectly, violate any applicable Laws or regulations in exercising any rights provided by or performed under this Agreement.

2.8 Compliance with Third Party Licenses

Ultra shall comply with the terms of the license agreements governing Third Party vendor materials incorporated into any of the Licensed Products or Licensed Product Items as and to the extent Delta so notifies Ultra in writing from time to time. None of the licenses or rights to sublicense granted hereby include any license to or right to sublicense the Intellectual Property Rights of any Third Party, unless and only to the extent Delta is authorized to provide such license or right to sublicense to Ultra. Ultra acknowledges and agrees that Ultra shall seek any license to or right to sublicense any Intellectual Property Rights of a Third Party in the Delta Proprietary Items from such Third Party.

3. ADDITIONAL GRANTS AND RIGHTS

3.1 Assignment of Restricted IP to Ultra

- (a) Delta hereby assigns, conveys, transfers and delivers to Ultra or its designee all of Delta's right, title and interest in and to the Restricted IP, including, without limitation, any and all goodwill symbolized thereby (as applicable), the right to recover for damages and profits for past, present and future infringements, dilutions, misappropriations or other violations of any part of the Restricted IP and the right to sue for and recover the same throughout the world in the name of Delta or its designee (the "**Restricted IP Assignment**").
- (b) The Restricted IP Assignment may be made of record in any government and/or administrative authority in any applicable jurisdiction, including in the United States Patent and Trademark Office and the United States Copyright Office, as appropriate and desired by Ultra

3.2 Grant of License to Delta Improved Imminent IP

Delta hereby grants to Ultra a non-exclusive, perpetual, non-transferrable, non-assignable, royalty-free, fully paid-up right and license to access, use, copy, make Improvements to and sublicense to end users, any Ultra Subsidiary and any Contractor, any Delta Improved Imminent Ultra IP. During the Term, this license to Delta Improved Imminent IP License shall be limited solely to outside the Delta Field.

3.3 Distributed Products

To the extent any Distributed Products are, as of the date of this Agreement, distributed/resold by Ultra to Customers (either on a standalone basis or as part of an offering or software platform), Ultra shall have the right to continue distribute or resell such Distributed Products only in accordance with a separate distribution/reseller agreement or other comparable arrangement entered into with Delta permitting such resale, distribution or use which shall be negotiated in good faith by the Parties on a commercially reasonable arms' length basis.

3.4 Delta Legacy Products

To the extent any Delta Legacy Products are, as of the date of this Agreement, used by Ultra in the conduct of the Ultra Business and Ultra desires to continue using such Delta Legacy Products or the Intellectual Property embodied therein, Ultra shall so inform Delta and the Parties shall subsequently negotiate in good faith the terms and conditions of a license agreement permitting such use by Ultra on commercially reasonable arms' length terms.

4. GRANT OF LICENSE TO DELTA

4.1 Grant of Imminent Ultra IP License to Delta

- (a) Ultra hereby grants to Delta a perpetual, non-transferrable, non-assignable, royalty-free, fully paid-up right and license to access, use, copy, make Improvements to and sublicense to end users, any Delta Subsidiary and any contractor of Delta or of a Delta Subsidiary any Imminent Ultra IP (the "**Imminent Ultra IP License**"). During the Term, the Imminent Ultra IP License shall be limited solely to outside the Ultra Field and shall be exclusive, even as to Ultra, within the Delta Field (other than and subject to any rights in respect of the Imminent Ultra IP granted by Ultra or any Ultra Subsidiary to any Third Party prior to the date of this Agreement).
- (b) Without limiting the foregoing, the Imminent Ultra IP License shall entitle Delta to access, use, copy and sublicense in accordance herewith, all Improvements to the Imminent Ultra IP as well as any new versions thereof in each case that are created and released by Ultra during the Term and made generally available by Ultra to end users of the Imminent Ultra IP. Notwithstanding the foregoing, Ultra shall have no obligation to create or release any such Improvements, and the timing of any such Improvements shall be at the sole discretion of Ultra or its applicable Affiliate.

- (c) Delta shall not transfer, assign or sublicense, or purport to transfer, assign or sublicense, its rights under any Imminent Ultra IP other than to Delta Subsidiaries and any contractor of Delta or of a Delta Subsidiary to the extent required in connection with the operation of the Delta Business (including commercialization with Delta Business customers and end users) outside of the Ultra Field and in accordance with this Agreement.

4.2 Grant of Know-How License

- (a) Upon the terms and subject to the conditions set forth in this Agreement, Ultra hereby grants to Delta a perpetual, non-transferrable, non-assignable, royalty-free limited license to access, use, copy and make Improvements to the Ultra Licensed Know-How in accordance with and as permitted by this Agreement (the “**Ultra Know-How License**”). During the Term, the Ultra Know-How License shall be (i) limited solely to the Delta Field and Shared Field and (ii) exclusive in the Delta Field even as against Ultra (other than and subject to any rights in respect of the Ultra Licensed Know-How granted by Ultra or any Ultra Subsidiaries to any Third Party prior to the date of this Agreement).
- (b) Delta shall not transfer, assign or sublicense, or purport to transfer, assign or sublicense, its rights under the Ultra Know-How License other than to Delta Subsidiaries to the extent required in connection with the operation of the Delta Business solely in the Delta Field and Shared Field and in accordance with this Agreement.
- (c) Each Party shall retain all right to its own derivative works, inventions, modifications, improvements, fixes, enhancements and/or updates made to or derived from the Ultra Licensed Know-How, and the other Party shall not have any rights to the foregoing.

4.3 Grant of Ultra Intellectual Property and Ultra-Owned Products to Delta

- (a) Ultra hereby grants to Delta a perpetual, transferrable, assignable, royalty-free, fully paid-up license to access, use, copy, make Improvements to and sublicense to end users the Ultra-Owned Products and Ultra Intellectual Property in accordance with and as permitted by this Agreement (the “**Ultra-Owned Products and Intellectual Property License**”). During the Term, the Ultra-Owned Products and Intellectual Property License shall be limited solely to outside clause (i) of the definition of Ultra Field on a non-exclusive basis and be exclusive in the Delta Field even as against Ultra and its Affiliates (other than and subject to any rights in respect of the Ultra-Owned Products or the Ultra Intellectual Property granted by Ultra or any Ultra Subsidiaries to any Third Party prior to the date of this Agreement). For the avoidance of doubt, following termination of this Agreement or expiration of the Term, the Ultra-Owned Products and Intellectual Property License shall remain in effect in the Delta Field and the Shared Field on a non-exclusive basis.
- (b) Each Party shall retain all right to its own derivative works, inventions, modifications, improvements, fixes, enhancements and/or updates made to or derived from the Ultra-Owned Products and Ultra Intellectual Property, and the other Party shall not have any rights to the foregoing.

4.4 Vector Labs, Kodiak and Ultra Cyber Security Services

- (a) The Parties agree that, for the duration of the Term, Delta may request that Ultra make available, and the Parties shall subsequently negotiate in good faith the terms and conditions of, a license and/or service agreement(s) relating to or permitting use by Delta on commercially reasonable arms’ length terms in the Delta Field (including as to Ultra’s ability to offer these services to third parties) of:

- (i) Vector Labs, including its personnel and any necessary ancillary support resources such as equipment, contracted support, technical information, Intellectual Property, code and know-how; and
 - (ii) The Ultra Security and Digital Protection Services Business including its personnel and any necessary ancillary support resources such as equipment, contracted support, technical information, Intellectual Property, code and know-how.
- (b) Ultra hereby grants to Delta a non-transferrable, non-assignable, license for the Term to access, use, copy, make Improvements to and sublicense to end users the Vector and Kodiak Intellectual Property in accordance with and as permitted by this Agreement (the “**Vector/Kodiak License**”). The Vector/Kodiak License will be royalty-free and fully paid up to the extent that Delta does not commercially exploit the Vector and Kodiak Intellectual Property in the Delta Business and will be subject to a commercially reasonable royalty, to be negotiated in good faith by the Parties and agreed in writing, for commercial exploitation by Delta in the Delta Business. The Vector/Kodiak License shall be exclusive to Delta in the Delta Field even as against Ultra and its Affiliates (other than and subject to any rights in respect of the Vector and Kodiak Intellectual Property granted by Ultra or any Ultra Subsidiaries to any Third Party prior to the date of this Agreement), provided, however that Delta hereby agrees to grant back a royalty-free and fully paid up non-exclusive license of the Vector and Kodiak Intellectual Property to Ultra to use, make Improvements to and to sublicense end users, on case-by-case basis, for any Opportunity, presented to Delta, as set forth in Section 4.4(c) below, as to which Delta has notified Ultra that Delta is not interested in pursuing.
- (c) During the Term and subject to any other rights herein or in any other Transaction Document, in the event Vector Labs wishes to pursue research and development of new or improved technology (including software products) which has potential applicability in the Delta Field (each collectively an “**Opportunity**”), Vector Labs shall, prior to pursuing such Opportunity, provide written notice to Delta identifying the Opportunity and describing the specifics thereof in sufficient detail (together with any necessary background information) as reasonably required for Delta to evaluate it together with the commercial prospects thereof. Thereafter, Delta shall notify Ultra in writing within ten (10) business days (or such longer period as Delta may require to reasonably evaluate the Opportunity under the circumstances as notified to Ultra within said ten (10) business days) whether:
- (i) Delta desires to pursue the Opportunity together with Vector Labs or
 - (ii) Delta is not interested in pursuing the Opportunity;
- in which case, (subject to any other restrictions and exclusive grants other than the Vector/Kodiak License) Vector Labs may engage in the Opportunity. Unless Delta has notified Ultra that it is not interested in pursuing the Opportunity, the Parties shall negotiate in good faith toward reaching mutually agreeable terms on a collaborative development and commercialization effort. In the event Delta notifies Ultra that it is not interested in pursuing an Opportunity and, thereafter, the specifics of the Opportunity substantially change (including a change in research scope of commercial prospects or other circumstances that would likely make the Opportunity more attractive to Delta), Ultra shall re-offer the revised Opportunity to Delta in the manner described above.

5. TERM

5.1 Term

The Term of this Agreement (the “**Term**”) shall commence as of the Effective Date and continue through the fifth (5th) anniversary of the Effective Date unless terminated earlier pursuant to Section 11.

6. TAXES

6.1 Taxes

Each Party shall be responsible for all Taxes imposed on such Party under applicable Law. In no event shall any Party be responsible for Taxes on or measured by net income of the other Party. The Parties shall cooperate with each other to furnish such forms and certificates that they are legally entitled to furnish to eliminate or reduce Taxes on payments described herein. No Party shall be required to “gross up” the other party for Taxes imposed through withholding or deduction. To the extent any Party is required under applicable Law to collect sales, use or similar taxes from the other Party, the Party required to collect such taxes shall separately state the applicable sales, use or similar tax on an invoice rendered to the other Party.

7. SUPPORT AND MAINTENANCE OBLIGATIONS

7.1 Support and Maintenance Services

- (a) Delta and Ultra may elect to enter into a separate agreement after the date hereof setting forth any additional maintenance and support services to be provided by Delta to Ultra in respect of any Licensed Product or Licensed Product Items, such as training on the Licensed Products. The terms and conditions of any such agreement, including the fees for such services, shall be negotiated and agreed between Delta and Ultra on an arm’s-length basis at such time.
- (b) The Parties will agree on governance procedures for the request and delivery of the Licensed Products, Licensed Product Items and Improvements during the Term but the failure to agree shall not void the Parties’ respective obligations to request and deliver the Licensed Products, Licensed Product Items and Improvements during the Term in accordance with this Agreement.

7.2 M&A Activity

- (a) Notwithstanding anything else to the contrary contained herein, any license granted by Delta hereunder shall not extend to any Person that, directly or indirectly, acquires control of Ultra through a Change of Control of Ultra (an “**Acquiring Person**”) or to any Affiliate or subsidiary of any such Acquiring Person (other than Ultra and entities that were direct or indirect subsidiaries of Ultra prior to the time such Acquiring Person acquired such control (a “**Pre-COC Subsidiary**”)). Without limiting the foregoing, if any material operations or businesses are contributed by any Affiliate of an Acquiring Person (other than a Pre-COC Subsidiary) to Ultra or a Pre-COC Subsidiary, such contributed operations or businesses shall not be entitled to any of the right granted pursuant to any such license.
- (b) Notwithstanding anything to the contrary contained herein, in the event that any divestiture (whether by spin-off, split-off, stock or asset sale or other similar transaction) of all or any portion of the Delta Business or Ultra Business in an arm’s length transaction to an unaffiliated third party (a “**bona fide purchaser**”) would cause, or be reasonably expected to cause, a Party

to breach any of the restrictions or limitations imposed on such Party hereunder and/or under the Separation and Distribution Agreement or any of the Ancillary Agreements, such bona fide purchaser shall be permitted to develop and implement a “firewall plan” to protect the Intellectual Property Rights owned by or exclusively licensed (to the extent of such exclusivity) to such other Party and to prevent Intellectual Property Rights of such divested business from being used by such bona fide purchaser’s business that operates in the other Party’s field (either the Delta Field or the Ultra Field, as applicable); provided, however, that no such “firewall plan” shall be required in respect of any portion of such bona fide purchaser’s business that operates outside of the other Party’s Field (either the Delta Field or the Ultra Field, as applicable) or to prevent a Party’s Employees from transferring into any portion of such bona fide purchaser’s business that operates outside of the other Party’s Field (either the Delta Field or the Ultra Field, as applicable).

- (c) Notwithstanding anything to the contrary contained herein, in the event that any acquisition (whether by merger, consolidation, stock or asset purchase or other similar transaction) of any business by either Party or their respective controlled Affiliates contains certain activities that would cause, or be reasonably expected to cause, such Party to breach any of the restrictions or limitations hereunder and/or under the Separation and Distribution Agreement or any of the Ancillary Agreements, such Party shall, at its election, either (a) develop and implement a “firewall plan” to protect the Intellectual Property Rights owned by or exclusively licensed (to the extent of such exclusivity) to such other Party and to prevent Intellectual Property Rights of in such Party’s possession from from being used in connection with the offending portions of such business; provided, however, that the fact that (i) no more than five individual managers at the L1 to L3 levels at such Party have management oversight over a potentially offending element or (ii) such Party shared back office support functions (including HR, accounting, tax and IT), but for the avoidance of doubt not any customer facing or front office support functions (such as sales support, product development, customer support and product support), provide support to the acquired entity shall not in itself be deemed a breach of this Section 7.2(b).

8. WARRANTIES

8.1 Warranty Exclusions

- (a) The Applicable Licensor shall in no circumstances have any liability for any of the following: (i) failure of the Licensed Products or Ultra-Owned Products, as applicable resulting from unpermitted modification, abuse or prohibited use of the Licensed Products or Ultra-Owned Products, as applicable, or use of the Licensed Products or Ultra-Owned Products, as applicable, that does not comply with the requirements of the Licensed Product Sales Materials or Ultra-Owned Product materials, as applicable, (ii) failure of the Licensed Products or the Ultra-Owned Products, as applicable, resulting from use of the Licensed Products or the Ultra-Owned Products, as applicable, in combination with any other software and/or equipment which has not been supplied or approved in writing by the Applicable Licensor for use with the Licensed Products or the Ultra-Owned Products, as applicable, (iii) loss of data or any storage media in the possession or under the control of the Applicable Licensee or any Delta Subsidiary or Ultra Subsidiary, as applicable, (iv) the content and accuracy of any document produced by the Licensed Products or the Ultra-Owned Products, as applicable, (v) the Applicable Licensee’s or any Delta Subsidiary’s or any Ultra Subsidiary’s, as applicable, negligence or hardware malfunction, or (vi) (x) in the case of Ultra, the Ultra-Owned Products, Ultra Licensed Know-How, the Ultra Imminent IP, or the Restricted IP, and (y) in the case of Delta, the Licensed Products, the Licensed Product Items, Delta Licensed Know-How, Delta Improved Imminent IP or Licensed Trademarks.

- (b) NO WARRANTY SHALL BE CREATED BY, AND NO OBLIGATION OR LIABILITY SHALL ARISE FROM, THIS AGREEMENT OR EITHER PARTY'S RENDERING OF TECHNICAL, PROGRAMMING, OR OTHER ADVICE OR SERVICE HEREUNDER. EACH PARTY SHALL BE DEEMED TO HAVE ACCEPTED, IN THE CASE OF ULTRA, THE DELTA PROPRIETARY ITEMS, THE RESTRICTED IP AND ANY SERVICES PROVIDED BY DELTA AND, IN THE CASE OF DELTA, THE ULTRA-OWNED PRODUCTS, ULTRA LICENSED KNOW-HOW AND ANY SERVICES PROVIDED BY ULTRA, "AS IS" AND "WHERE IS," AND WITHOUT ANY WARRANTY OF ANY KIND.
- (c) (i) EACH PARTY HEREBY WAIVES ALL WARRANTIES EITHER EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OR CONDITION OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WARRANTY OF TITLE, WARRANTY OF NON-INFRINGEMENT OR OTHERWISE (INCLUDING TIME OF PERFORMANCE) RESPECTING, IN THE CASE OF ULTRA, THE DELTA PROPRIETARY ITEMS, RESTRICTED IP OR SERVICES PROVIDED BY DELTA, AND IN THE CASE OF DELTA, THE ULTRA-OWNED PRODUCTS, ULTRA LICENSED KNOW-HOW, ULTRA INTELLECTUAL PROPERTY, ULTRA IMMINENT IP OR SERVICES PROVIDED BY ULTRA, AND (ii) NEITHER PARTY MAKES ANY WARRANTY THAT THE FUNCTIONS CONTAINED IN, IN THE CASE OF DELTA, A LICENSED PRODUCT ITEM OR ANY RESTRICTED IP, AND IN THE CASE OF ULTRA, THE ULTRA-OWNED PRODUCTS OR ULTRA LICENSED KNOW-HOW, WILL MEET THE OTHER PARTY'S REQUIREMENTS OR THAT THE OPERATION OF, IN THE CASE OF DELTA, A LICENSED PRODUCT ITEM OR ANY RESTRICTED IP, AND IN THE CASE OF ULTRA, THE ULTRA-OWNED PRODUCTS OR ULTRA LICENSED KNOW-HOW, WILL BE UNINTERRUPTED OR ERROR-FREE.
- (d) EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, EACH PARTY ASSUMES SOLE RESPONSIBILITY AND ENTIRE RISK AS TO THE SUITABILITY AND RESULTS OBTAINED FROM USE OF, IN THE CASE OF ULTRA, THE DELTA PROPRIETARY ITEMS, THE RESTRICTED IP AND THE SERVICES PROVIDED BY DELTA, AND IN THE CASE OF DELTA, THE ULTRA-OWNED PRODUCTS, ULTRA LICENSED KNOW-HOW AND ANY SERVICES PROVIDED BY ULTRA, AND ANY DECISIONS MADE OR ACTIONS TAKEN BASED ON THE INFORMATION CONTAINED IN OR GENERATED BY THE FOREGOING, AS APPLICABLE.

9. INDEMNIFICATION; INJUNCTIVE RELIEF; LIMITATIONS OF LIABILITY

9.1 Indemnification by Delta

Delta will indemnify, defend and hold harmless Ultra, and each of Ultra's controlled Affiliates and Ultra's and its controlled Affiliates' directors, officers, employees, agents and permitted successors and assigns ("**Ultra Indemnitees**") from and against any and all Losses incurred by any Ultra Indemnitee as a direct result of any claim by a Third Party that is not a Ultra Affiliate that Ultra's use of any Improvements to the Licensed Products provided by Delta pursuant to this Agreement infringes or misappropriates any U.S. copyright, trademark or trade secret, except to the extent resulting from (i) Ultra's modification of the Licensed Products or combination by Ultra of the Licensed Products with other products or services if the Licensed Products would not have been infringing but for such combination or modification, (ii) Ultra's use of such Licensed Products other than as permitted under this Agreement, (iii) Ultra's failure to use an updated non-infringing version of the applicable Licensed Products to the extent Ultra was notified that the update cured an infringement, (iv) changes to the

Licensed Products made by Delta at the direction of Ultra, (v) any open source software included in the Licensed Products or used by Ultra or an end user in connection with the Licensed Products, or (vi) any portion of the Licensed Products that is owned by a Third Party.

9.2 Indemnification by Ultra

Ultra will indemnify, defend and hold harmless Delta, and each of Delta's Affiliates and Delta's and its Affiliates' directors, officers, employees, agents and permitted successors and assigns ("**Delta Indemnitees**") from and against any and all Losses incurred by any Delta Indemnitee as a direct result of any claim by a Third Party that is not a Delta Affiliate (a) arising from or relating to Ultra's, Ultra Subsidiaries' or any end user's use of the Licensed Products, and/or any end user agreement, documentation or representation provided or made by Ultra to an end user to the extent such end user agreement, documentation or representation differs from the Licensed Product Sales Materials, Licensed Product Documentation, and/or marketing materials provided by Delta or (b) that Delta's use of any Improvements to the Licensed Products provided by Ultra pursuant to this Agreement infringes or misappropriates any U.S. copyright, trademark or trade secret, except to the extent resulting from (i) Delta's modification of the Licensed Products or combination by Delta of the Licensed Products with other products or services if the Licensed Products would not have been infringing but for such combination or modification, (ii) Delta's failure to use an updated non-infringing version of the applicable Licensed Products to the extent Delta was notified that the update cured an infringement, (iii) changes to the Licensed Products made by Ultra at the direction of Delta, (iv) any open source software included in the Licensed Products or used by Delta or its customers in connection with the Licensed Products or (v) any portion of the Licensed Products that is owned by a Third Party.

9.3 Sole Remedy; Indemnification Procedures

- (a) If any Improvement for which Delta has an indemnification obligation under Section 9.1 becomes, or in Delta's reasonable opinion is likely to become, the subject of any U.S. copyright, trademark or trade secret infringement or misappropriation claim or proceeding, Delta will, in addition to indemnifying Ultra as provided in Section 9.1, promptly take the following actions, at no additional charge to Ultra, in the following order of priority: (i) secure the right to continue using the item or (ii) replace or modify the item to make it non-infringing. If neither of such actions can be accomplished by Delta using commercially reasonable efforts, and only in such event, Delta will remove the applicable Improvements and, in full satisfaction of Delta's obligations with respect to this Section 9.3(a), the applicable Fees will be equitably adjusted to reflect such removal. **THIS SECTION 9.3 AND SECTION 9.1, STATE THE ENTIRE LIABILITY AND OBLIGATIONS OF THE APPLICABLE LICENSOR AND THE EXCLUSIVE REMEDY OF THE APPLICABLE LICENSEE, ITS AFFILIATES, SUCCESSORS AND ASSIGNS WITH RESPECT TO ANY VIOLATION OR INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS BY, IN THE CASE OF DELTA, THE LICENSED PRODUCTS AND THE SUPPORT SERVICES PROVIDED BY DELTA OR ANY PART THEREOF, AND IN THE CASE OF ULTRA, THE ULTRA DEVELOPED PRODUCTS AND THE SUPPORT SERVICES PROVIDED BY ULTRA OR ANY PART THEREOF.**
- (b) All indemnification procedures shall be governed by Section 7.4 of the Separation and Distribution Agreement.

9.4 Injunctive Relief

The Parties acknowledge and agree that money damages would not be a sufficient remedy for any breach of Sections 2, 4, or 10 of this Agreement by a Party or any of its Subsidiaries and that the other Party shall, in addition to any other rights it may have at Law or in equity, be entitled to equitable relief, including injunction and specific performance, as a remedy for any breach (and the Party in breach shall not raise the defense of an adequate remedy at Law) without the posting of a bond or other form of assurance or surety.

9.5 Limitation of Liability

EXCEPT WITH RESPECT TO (a) EITHER PARTY'S INDEMNIFICATION OBLIGATIONS UNDER THIS SECTION 8.1(a) WITH RESPECT TO THIRD PARTY CLAIMS, (b) EITHER PARTY'S INFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THE OTHER OR USE OF THE INTELLECTUAL PROPERTY RIGHTS OF THE OTHER IN ANY MANNER OR FOR ANY PURPOSE OR APPLICATION NOT EXPRESSLY PERMITTED BY THIS AGREEMENT, (c) EITHER PARTY'S BREACH OF THE CONFIDENTIALITY OBLIGATIONS SET FORTH IN THIS AGREEMENT, OR (d) EITHER PARTY'S FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR INDIRECT, EXEMPLARY, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES OR COSTS, OR FOR LOST OR DAMAGED DATA OR LOSS OF PROFIT OR GOODWILL, WHETHER FORESEEABLE OR NOT, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES OR COSTS.

10. CONFIDENTIAL DATA & PROPRIETARY MATERIALS

10.1 Confidential Data, Proprietary Information, and Trade Secrets

All Confidential Information submitted or disclosed by one Party to the other Party in connection with this Agreement shall be governed by the confidentiality obligations set forth in Section 8.5 of the Separation and Distribution Agreement. For purposes of this Agreement, Confidential Information of Delta shall include all Delta Proprietary Items.

10.2 Employees and Sublicensees

Each Party shall require its sublicensees and cause its Affiliates and its and their employees, authorized agents and representatives to comply with the provisions set forth in this Agreement and shall be deemed for purposes of this Agreement to have taken the actions and inactions of the same in connection thereto.

11. TERMINATION

11.1 Events of Termination

This Agreement may only be terminated if:

- (a) the Parties mutually agree;
- (b) the other Party is in material breach or default of any of its representations, warranties, covenants or obligations under this Agreement or violates or infringes the Intellectual Property Rights of such Party and which breach, violation or infringement has remained uncured or otherwise unresolved for a period of thirty (30) days or more following that Party's receipt of written notice regarding such breach; or

- (c) the other Party makes any assignment or assumption for the benefit of creditors or files a petition in bankruptcy or is adjudged bankrupt or is placed in the hands of a receiver or if the equivalent of any of the proceedings or acts referred to in this clause, though known and/or designated by some other name or term, occurs;
and such Party notifies the other Party of its election to terminate this Agreement.

11.2 Effect of Termination or Expiration

- (a) Upon the termination of this Agreement or the expiration of the Term, Ultra shall only be entitled to access and use the then-current versions of the Licensed Products and the Licensed Product Items in Ultra's possession.
- (b) Upon the termination of this Agreement, Ultra shall immediately return all copies, in any form, of any Confidential Information in its possession or control (or certify to Delta in writing that the same has been destroyed), except the then-current versions of the Licensed Products and the Licensed Product Items in Ultra's possession or control.
- (c) Unless a contrary intention clearly appears, expressions of termination, cancellation or rescission of this Agreement may not be construed as a renunciation or discharge of any claim in damages for an antecedent breach of this Agreement or an obligation incurred prior to the termination or expiration thereof.

11.3 Survival of Terms

Upon the termination of this Agreement or the expiration of the Term for any reason, the following shall survive: (a) any unsatisfied payment obligation or other right or remedy regardless of whether based on prior default or performance or otherwise, (b) any limitation on the scope, manner, method, or location of the exercise of rights in the Delta Proprietary Items, (c) any limitation, exclusion or waiver of warranties, remedy, liability or damages, (d) any obligation of confidentiality, nondisclosure, return of data or materials, or singular obligation to the extent that the obligation was created by the terms of this Agreement, (e) any right for effectuating any of the aforesaid, (f) the right of Delta to receive any and all Improvements made or created from or based on the Licensed Products or any Licensed Product Items by or on behalf of Ultra or a Ultra Subsidiary following the Effective Date, and (g) the provisions of Sections 2, 3, 4, 8, 8.1(a), 10, 11 and 12, including the perpetual licenses granted herein.

12. GENERAL PROVISIONS

12.1 Further Assurances

In addition to the actions specifically provided for elsewhere in this Agreement, each Party agrees to execute or cause to be executed and to record or cause to be recorded such other agreements, instruments and other documents, and to take such other action, as reasonably necessary or desirable, to fully effectuate the license grants, assignment, intents and purposes of this Agreement.

12.2 Relationship of the Parties

This Agreement shall not be construed to place the Parties in the relationship of legal representatives, partners, joint venturers or agents of or with each other. No Party shall have any power to obligate or bind the other Party in any manner whatsoever, except as specifically provided herein.

12.3 Amendment

This Agreement may not be modified or amended, except by an agreement in writing signed by each of the Parties.

12.4 Entire Agreement

The Schedules shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein. This Agreement (including the Schedules) and the Separation and Distribution Agreement constitute the entire agreement between the Parties related to the subject matter of the Agreement and supersede all prior agreements, discussions and understandings between the Parties related to its subject matter.

12.5 Priority of Agreements

If there is a conflict between any provision of this Agreement and the Separation and Distribution Agreement (or any other agreement referred to therein), the provisions of this Agreement will control.

12.6 Assignment

This Agreement shall not be assignable by Ultra, in whole or in part, directly or indirectly, without the prior written consent of Delta, and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be void; provided, however, that Ultra may assign this Agreement (a) to an Affiliate controlled by Ultra, or (b) to a purchaser of all or substantially all of the properties and assets of Ultra, in each case so long as such assignee expressly assumes, in a written instrument in form reasonably satisfactory to Delta, the due and punctual performance or observance of every agreement and covenant of this Agreement to be performed or observed on the part of Ultra. Notwithstanding the foregoing, because of its personal nature to Delta, the Trademarks License may not be assigned to any Person without the prior written consent of Delta, which consent may be withheld by Delta for any reason in its sole discretion. For the avoidance of doubt, this Agreement shall be assignable by Delta, in whole or in part, directly or indirectly, to any Person without restriction.

12.7 Successors and Assigns

The provisions to this Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors and permitted assigns.

12.8 Third Party Beneficiaries

This Agreement is solely for the benefit of the Parties and their respective Affiliates and shall not be deemed to confer upon any Third Party any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement, except that any Ultra Indemnitees or Delta Indemnitees shall be intended third-party beneficiaries of Section 8.1(a) of this Agreement.

12.9 Notices

All notices, requests, claims, demands and other communications under this Agreement shall be made and delivered in conformity with Section 11.6 of the Separation and Distribution Agreement.

12.10 Rules of Construction

This Agreement will be fairly interpreted in accordance with its terms and without any strict construction in favor of or against either Party. Moreover, drafts of the Agreement and Schedules shall not be taken into account in interpreting, or establishing the nature or limits of, a Party's rights and obligations hereunder. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Notwithstanding anything herein to the contrary, all rights granted herein and hereby shall be construed so as to permit or require only such action and/or use that is in compliance with Applicable Security Laws and Regulations. Notwithstanding the foregoing, the Parties shall comply with all applicable Export Control Laws and Regulations.

12.11 Title and Headings

Titles and headings to Sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

12.12 No Waiver

A Party does not waive any right under this Agreement by failing to insist on compliance with any of the terms of this Agreement or by failing to exercise any right hereunder. Any waivers granted hereunder are effective only if recorded in a writing signed by the Party granting such waiver.

12.13 Severability

If any provision of this Agreement is determined by any court or Governmental Entity to be unenforceable, the Parties intend that this Agreement be enforced as if the unenforceable provisions were not present and that any partially valid and enforceable provisions be enforced to the extent that they are enforceable.

12.14 Governing Law; Jurisdiction

This Agreement (and any claims or disputes arising out of or related thereto or to the transactions contemplated thereby or to the inducement of any Party to enter therein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common Law, statute or otherwise) shall in all respects be governed by and construed in accordance with the Laws of the State of New York, including all matters of construction, validity and performance, in each case without reference to any choice-of-law or conflict of law principles that might lead to the application of the Laws of any other jurisdiction. Subject to the provisions of Section 9 of the Separation and Distribution Agreement, each of the Parties irrevocably submits to the exclusive jurisdiction of (a) the Fairfax County Circuit Court and any appeals courts thereof or (b) the United States District Court for the Eastern District of Virginia and any appeals courts thereof (the courts referred to in clauses (a) and (b), the "**Virginia Courts**"), for the purposes of any suit, action or other proceeding to compel arbitration or for provisional relief in aid of arbitration in accordance with Section 9 of the Separation and Distribution Agreement or to prevent irreparable harm, and to the non-exclusive jurisdiction of the Virginia Courts for the enforcement of any award issued thereunder. Each of the Parties further agrees that service of any process, summons, notice or document by U.S. registered mail to such Party's respective address set forth in Section 11.6 of the Separation and

Distribution Agreement shall be effective service of process for any action, suit or proceeding in the Virginia Courts with respect to any matters to which it has submitted to jurisdiction in this Section 12.14. Each of the Parties irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in the Virginia Courts, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

12.15 Dispute Resolution

The procedures set forth in Section 9 of the Separation and Distribution Agreement shall apply to the resolution of all disputes arising under this Agreement.

12.16 Specific Performance

From and after the Effective Date, in the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the Parties agree that the Party to this Agreement that is or is to be thereby aggrieved shall have the right to specific performance and injunctive or other equitable relief of its rights under this Agreement, in addition to any and all other rights and remedies at Law or in equity, and all such rights and remedies shall be cumulative. The Parties agree that, from and after the Effective Date, the remedies at Law for any breach or threatened breach of this Agreement, including monetary damages, are inadequate compensation for any loss, that any defense in any action for specific performance that a remedy at Law would be adequate is hereby waived, and that any requirements for the securing or posting of any bond with such remedy are hereby waived.

12.17 Counterparts

This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the Parties and delivered to the other Party.

12.18 Noncontravention

Notwithstanding anything else herein, nothing in this Agreement shall require or have the effect of licensing or transferring any Intellectual Property Rights of an Applicable Licensor in violation or breach of any agreement with a Third Party in effect as of the date of this Agreement or which would restrict the ability of either Party to continue to commercialize under any subsisting contractual joint venture or teaming arrangement any offering in violation or breach thereof, (provided, however, that this provision shall not eliminate the obligation of Ultra to obtain necessary rights under agreements with Delta with respect to commercialization or distribution of any Delta Legacy Products and Distributed Products). In the event of such conflict the Parties agree to consult and agree on how best to effectuate the commercial intent of the Parties which is the subject of the conflict in a manner that does not contravene any Third Party agreements or current commercialization arrangements, including, by way of seeking to obtain consents or modifications to existing contractual arrangements.

[Signature Page Follows]

SIGNATORY

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

DXC TECHNOLOGY COMPANY

By: _____
Name:
Title:

PERSPECTA INC.

By: _____
Name:
Title:

NON-U.S. AGENCY AGREEMENT

DATED AS OF [●]

by and between

DXC TECHNOLOGY COMPANY

and

PERSPECTA INC.

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This **NON-U.S. AGENCY AGREEMENT** (this “**Agreement**”) is dated as of [●], by and between [Delta], a Nevada corporation (“**Delta**”) and [Ultra], a Nevada corporation (“**Ultra**”). Delta and Ultra are also referred to in this Agreement individually as a “**Party**” and collectively as the “**Parties**.”

WHEREAS:

- (A) Delta, acting directly and through its direct and indirect Subsidiaries, currently conducts the Delta Business and the Ultra Business;
- (B) Delta and Ultra have entered into the Separation and Distribution Agreement by and between Delta and Ultra dated as of [●] (the “**Separation and Distribution Agreement**”), in connection with the separation of the Ultra Business from Delta and the Distribution of Ultra Common Stock to stockholders of Delta; and
- (C) in connection therewith, the Parties desire to enter into this Agreement.

NOW, THEREFORE, in consideration of and subject to the premises and the mutual agreements, terms and conditions herein contained, the benefits to be derived therefrom, and other good and valuable consideration, the receipt and the sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 General

Capitalized terms used in this Agreement and not defined herein shall have the meanings that such terms have in the Separation and Distribution Agreement. As used in this Agreement, the following terms shall have the following meanings:

“**Control**”, when used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other interests, by Contract or otherwise.

“**Customer**” shall mean any Person located outside of the United States or that is Controlled, directly or indirectly, by any Person located outside of the United States, provided that the term “Customer” shall not include any Governmental Entity in the United States or any branch or location thereof located outside of the United States.

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

“**Governmental Entity**” shall mean any nation or government, any state, municipality or other political subdivision thereof and any entity, body, agency, commission, department, board, bureau or court, whether domestic, foreign or multinational, exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any executive official thereof.

“**Permitted Direct Sales**” shall have the meaning ascribed to it in Section 2.1.

“**Person**” shall mean any natural person, firm, individual, corporation, business trust, joint venture, association, company, limited liability company, partnership or other organization or entity, whether incorporated or unincorporated, or any Governmental Entity.

“**Services**” shall mean any products or services generally made available to unaffiliated third parties by Ultra or its controlled Affiliates.

“**Territory**” shall mean worldwide, other than in the United States of America.

1.2 References; Interpretation

References in this Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. Unless the context otherwise requires, the words “include”, “includes” and “including” when used in this Agreement shall be deemed to be followed by the phrase “without limitation”. Unless the context otherwise requires, references in this Agreement to Sections, Exhibits and Schedules shall be deemed references to Sections of, and Exhibits and Schedules to, this Agreement. Unless the context otherwise requires, the words “hereof”, “hereby” and “herein” and words of similar meaning when used in this Agreement refer to this Agreement in its entirety and not to any particular Section or provision of this Agreement. The words “written request” when used in this Agreement shall include email. In the event of any inconsistency or conflict that may arise in the application or interpretation of any of the definitions set forth in Section 1.1, for the purpose of determining what is and is not included in such definitions, any item explicitly included on a Schedule referred to in any such definition shall take priority over any provision of the text thereof

2. APPOINTMENT

- 2.1 Ultra hereby appoints Delta as its sole and exclusive (including as against Ultra) agent and representative to, directly or indirectly, offer to sell, and sell on behalf of Ultra, Services to Customers in the Territory on the terms of this Agreement, other than to (a) a non-U.S. Governmental Entity located in the Territory if and to the extent such Services are provided directly or indirectly by Ultra in connection with a contract entered into between Ultra and/or one or more of its subsidiaries and a United States federal Governmental Entity or (b) a Governmental Entity located in the Territory if and to the extent such Services are provided directly or indirectly by Ultra in connection with a contract entered into between Ultra and/or one or more of its subsidiaries and a Governmental Entity located in the Territory pursuant to U.S. federal government sponsored or financed military sales (clauses (a) and (b), collectively, the “**Permitted Direct Sales**”).
- 2.2 Ultra shall not, during the duration of this Agreement, (a) make any offer or sale of Services, directly or indirectly, to Customers in the Territory, except (i) as and to the extent directed by Delta as agent hereunder or (ii) for Permitted Direct Sales or (b) appoint any other Person as its agent, distributor or franchisee for the offer or sale of Services to Customers in the Territory, except in connection with Permitted Direct Sales.
- 2.3 Without limiting the foregoing, Ultra shall not, unless permitted in writing to do so by Delta, directly or indirectly make offers or proposals (or respond to requests for the same) or negotiate with or make arrangements to sell Services to any Customer in the Territory, and shall refer all such possible transactions to Delta, in each case, other than Permitted Direct Sales.
- 2.4 Delta shall use commercially reasonable efforts to refer to Ultra any transactions that Delta reasonably determines would be (a) within Ultra’s core competency and (b) better handled by Ultra than by Delta or its subsidiaries or other Persons.

- 2.5 Ultra acknowledges and agrees that (a) Delta shall not be obligated to expend any material resources in furtherance of marketing Ultra's Services in the Territory, it being understood that the principal focus of Ultra's business is on providing services to the U.S. federal government and (b) subject to Section 2.4 of this Agreement and Section 5.5 of the Separation and Distribution Agreement, Delta may pursue for itself or other Persons any opportunities with Customers and may subcontract any of its obligations under this Agreement, at any time, in whole or in part, to any Person (but only to the extent that such subcontracting arrangement does not, and would not reasonably be expected to, result in any conflict with any Laws applicable to Ultra's business).

3. ULTRA'S UNDERTAKINGS

- 3.1 Ultra undertakes and agrees with Delta during the term of this Agreement:
- (a) to indemnify Delta against any liabilities that Delta may incur as a result of Ultra's failure to perform its obligations to Delta or any Customer in accordance with the terms hereof. All out-of-pocket expenses, costs and charges incurred by Delta on behalf of Ultra, including marketing, introduction and coordination expenses, shall be reimbursed by Ultra promptly upon production by Delta of appropriate invoices and receipts in support thereof;
 - (b) to promptly and efficiently deal with any complaint, dispute or after-sales inquiry relating to any Services raised by a Customer in the Territory;
 - (c) on Delta's request, to communicate to Delta the name and address of any Customer in the Territory to which Ultra has sold any Services pursuant to Section 2.4, to the extent permitted by applicable Law; and
 - (d) to comply with all reasonable and lawful instructions of Delta from time to time concerning the sale of Services to Customers in the Territory.

4. REFERRAL PROCEDURES

- 4.1 In the event that Delta determines to refer an opportunity to provide Services to a Customer in the Territory to Ultra, Delta shall provide prompt written notice to Ultra (in accordance with Section 8) and the CEO of Ultra (via email) describing the nature of the opportunity (or portion thereof as to which Ultra is being offered an opportunity to participate), the identity of the Customer, the timing and details required to be included in a response to a request for proposal or other bidding opportunity and if available, the opportunity to ask clarifying questions of the prospective Customer.
- 4.2 Ultra shall treat all information it receives in connection with any opportunity to provide Services to a Customer in the Territory (other than any Permitted Direct Sales) as confidential information pursuant to Section 8.5 of the Separation and Distribution Agreement.

5. DURATION AND TERMINATION

- 5.1 This Agreement shall commence on the Distribution Date and shall continue through the fifth (5th) anniversary of the Distribution Date, unless terminated earlier pursuant to Sections 5.2 or 5.3.
- 5.2 This Agreement may be terminated at any time upon the mutual consent of the Parties.
- 5.3 Ultra may terminate this Agreement with immediate effect by giving written notice to Delta if:

- (a) from and after the second (2nd) anniversary hereof, Delta is controlled by or there is a change of control of Delta that results in the control of Delta by a Person that derives a significant amount of revenue from the provision of IT services to Governmental Entities in the United States of America;
- (b) prior to the second anniversary hereof, there is a change of control of Delta that results in the control of Delta by a Person that is principally engaged in the provision of IT services to Governmental Entities in the United States of America;
- (c) Delta suspends or ceases carrying on all or a substantial part of the Delta Business; or
- (d) in the event of a material breach by Delta of its obligations under Section 2.4, if such breach is not cured by Delta within thirty (30) days after Delta's receipt of written notice of such breach from Ultra.

6. CONSEQUENCES OF TERMINATION

- 6.1 Termination or expiration of this Agreement shall not affect any rights, remedies, obligations or liabilities of the Parties that have accrued up to the date of such termination or expiration, including the right to claim damages in respect of any breach of this Agreement that existed at or before the date of such termination or expiration.
- 6.2 On termination or expiration of this Agreement:
 - (a) Ultra shall not be required to use Delta to sell Services to Customers in the Territory; and
 - (b) Delta shall immediately cease to describe itself as an agent of Ultra.
- 6.3 On termination or expiration of this Agreement, Section 3.1(a) shall continue in full force and effect.

7. CONFIDENTIALITY

- 7.1 Each Party undertakes that it shall not at any time disclose to any Person any confidential information concerning the business, affairs, customers, clients or suppliers of the other Party, except as permitted by Section 7.2.
- 7.2 Each Party may disclose the other Party's confidential information:
 - (a) to its employees, officers, representatives or advisers who need to know such information for the purposes of carrying out such Party's obligations under this Agreement. Each Party shall ensure that its employees, officers, representatives or advisers to whom it discloses the other Party's confidential information comply with this Section 7; and
 - (b) as may be required or expressly permitted by applicable Law or this Agreement, a court of competent jurisdiction or any governmental or regulatory authority.
- 7.3 Neither Party shall use the other Party's confidential information for any purpose other than to perform its obligations under this Agreement.

7.4 All documents and other records (in whatever form) containing confidential information supplied to or acquired by a Party shall be returned promptly to the disclosing Party on termination of this Agreement, and no copies shall be kept.

8. NOTICES

All notices, requests, claims, demands and other communications under this Agreement shall be made and delivered in conformity with Section 11.6 of the Separation and Distribution Agreement.

9. ENTIRE AGREEMENT

This Agreement, together with the documents referenced herein (including the Separation and Distribution Agreement), constitutes the entire agreement and understanding among the Parties with respect to the subject matter hereof and supersedes all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof. To the extent any provision of this Agreement conflicts with the provisions of the Separation and Distribution Agreement, the provisions of this Agreement shall be deemed to control with respect to the subject matter hereof.

10. AMENDMENT AND WAIVER

This Agreement may not be terminated, modified or amended except by an agreement in writing signed by Delta and Ultra. No failure to exercise and no delay in exercising, on the part of any Party, any right, remedy, power or privilege hereunder shall operate as a waiver hereof or thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

11. ASSIGNMENT; SUCCESSORS AND ASSIGNS

This Agreement shall not be assignable, in whole or in part, directly or indirectly, by any Party hereto without the prior written consent of the other Party (not to be unreasonably withheld or delayed), and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be void. Notwithstanding the foregoing, this Agreement shall be assignable in whole in connection with a merger or consolidation or the sale of all or substantially all the assets of a party hereto so long as the resulting, surviving or transferee entity assumes all the obligations of the relevant party hereto by operation of Law or pursuant to an agreement in form and substance reasonably satisfactory to the other parties to this Agreement. No assignment permitted by this Section 11 shall release the assigning Party from liability for the full performance of its obligations under this Agreement. The provisions of this Agreement and the obligations and rights hereunder shall be binding upon, inure to the benefit of and be enforceable by (and against) the Parties and their respective successors and permitted transferees and assigns.

12. AUTHORITY

The Parties declare that they each have the right, power and authority and have taken all action necessary to execute and deliver, and to exercise their rights and perform their obligations under this Agreement.

13. SEVERABILITY

In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The Parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

14. GOVERNING LAW; JURISDICTION

This Agreement (and any claims or disputes arising out of or related thereto or to the transactions contemplated thereby or to the inducement of any Party to enter therein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common Law, statute or otherwise) shall in all respects be governed by and construed in accordance with the Laws of the State of New York, including all matters of construction, validity and performance, in each case without reference to any choice-of-law or conflict of law principles that might lead to the application of the Laws of any other jurisdiction. Subject to the provisions of Section 9 of the Separation and Distribution Agreement, each of the Parties irrevocably submits to the exclusive jurisdiction of (a) the Fairfax County Circuit Court and any appeals courts thereof or (b) the United States District Court for the Eastern District of Virginia and any appeals courts thereof (the courts referred to in clauses (a) and (b), the “**Virginia Courts**”), for the purposes of any suit, action or other proceeding to compel arbitration or for provisional relief in aid of arbitration in accordance with Section 9 of the Separation and Distribution Agreement or to prevent irreparable harm, and to the non-exclusive jurisdiction of the Virginia Courts for the enforcement of any award issued thereunder. Each of the Parties further agrees that service of any process, summons, notice or document by U.S. registered mail to such Party’s respective address set forth in Section 11.6 of the Separation and Distribution Agreement shall be effective service of process for any action, suit or proceeding in the Virginia Courts with respect to any matters to which it has submitted to jurisdiction in this Section 14. Each of the Parties irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in the Virginia Courts, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

15. WAIVER OF JURY TRIAL

EACH OF THE PARTIES HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES HEREBY (a) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (b) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 15.

16. COUNTERPARTS

This Agreement may be executed in more than one counterpart, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the Parties and delivered to each of the Parties.

17. THIRD PARTY BENEFICIARIES

This Agreement is solely for the benefit of the Parties and should not be deemed to confer upon third parties any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

18. FORCE MAJEURE

No Party (or any Person acting on its behalf) shall have any liability or responsibility for failure to fulfill any obligation (other than a payment obligation) under this Agreement, so long as and to the extent to which the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event: (a) notify the other applicable Parties of the nature and extent of any such Force Majeure condition and (b) use due diligence to remove any such causes and resume performance under this Agreement as soon as feasible.

[Signature Page Follows]

SIGNATORY

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

DXC TECHNOLOGY COMPANY

By: _____

Name:

Title:

PERSPECTA INC.

By: _____

Name:

Title:

[Signature to Non-US Agency Agreement]

**AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
PERSPECTA INC.**

**ARTICLE 1
NAME**

The name of the Corporation is Perspecta Inc.

**ARTICLE 2
PURPOSE**

The nature of the business, or objects or purposes to be transacted, promoted or carried on are:

To engage in the business of selling computer machine time, computer programming services, mathematical and other related problem analysis, training in the use and application of computers, operation of computer centers and consulting service on matters relating to computer technology, associated analysis and related matters.

To engage in any other technical business whatsoever, and in connection therewith to manufacture, assemble, lease and sell technical equipment, supplies and other personal property.

To acquire, use, mortgage or otherwise encumber, sell or otherwise dispose of real and personal property of every kind and character, or any right or interest therein.

To acquire, use, deal in and with, to accept and grant licenses in respect to, pledge or otherwise encumber, sell or otherwise dispose of, trade names, trade marks, inventions, formulae, improvements and processes, of any nature whatsoever, copyrights, patent rights and letters patent, or any interest therein, of the United States and all foreign countries.

To acquire the whole or any part of, or any interest in, the good will and assets, and to undertake to assume the obligations or liabilities of, any person, firm, association or corporation engaged in a business or enterprise in which this corporation may lawfully engage.

To purchase or otherwise acquire, pledge or otherwise encumber, sell or otherwise dispose of, shares of the capital stock of, or any bonds, securities or evidences of indebtedness created by, any other corporation or association organized under the laws of this State or any other state, country, nation or government, and while the owner thereof to exercise all the rights, powers and privileges of ownership.

To promote or to aid in any manner, financially or otherwise, any person, corporation or association; and for this purpose to guarantee or become a surety upon the contracts, dividends, stocks, bonds, notes or other obligations of such person, corporation, or association; and to do any other act or thing designed to protect, preserve, improve or enhance the value of the stocks, bonds or other obligations or securities of such person, corporation or association.

To become a member of any partnership or joint venture and to enter into any lawful arrangements for sharing profits and/or losses, union of interests, reciprocal concessions or cooperation with any corporation, association, partnership, syndicate, person, governmental, municipal or public authority, domestic or foreign, in the carrying on of any business which this corporation is authorized to carry on, or any business or transaction deemed necessary, convenient or incidental to carrying out any of the purposes of this corporation.

To borrow money and contract debts without limit for any of the purposes of this corporation, and to issue bonds, debentures, notes or other obligations therefor, and to secure the same by pledge or mortgage of the whole or any part of the property of this corporation, whether real or personal, or to issue bonds, debentures, notes or other obligations without any such security.

To purchase, hold, sell and transfer, shares of its own capital stock; provided it shall not use its funds for the purchase of its own shares of capital stock when such use would cause any impairment of its capital, except as permitted by law; and provided, further, that shares of its own capital stock belonging to it shall not be voted upon directly or indirectly.

To do any and all things necessary or convenient for the accomplishment of the foregoing purposes; to carry on any lawful business whatsoever which the corporation may deem proper or convenient in connection with any of the foregoing purposes or otherwise, or which may be calculated, directly or indirectly to promote the interests of the corporation or to enhance the value of its property; to have, enjoy and exercise, all the rights, powers and privileges, which are now or which may hereafter be conferred upon corporations organized under the same statutes as this corporation; to conduct its business anywhere in the world.

ARTICLE 3

CAPITAL

The total number of shares of capital stock which may be issued by the corporation is seven hundred fifty-one million (751,000,000), of which seven hundred fifty million (750,000,000) shares shall be Common Stock of the par value of one cent (\$0.01) per share (hereinafter referred to as the "Common Stock") and one million (1,000,000) shares shall be Preferred Stock of the par value of one cent (\$0.01) per share (hereinafter referred to as the "Preferred Stock").

The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions of the shares of each class of stock and the manner in which shares of stock are to be voted for the election of directors are as follows:

PREFERRED STOCK

The Preferred Stock shall be all of one class but may be issued from time to time in one or more series, each of such series to have such full or limited voting powers, if any, and such designations, preferences and relative, participating, optional or other special rights or qualifications, limitations or restrictions thereof as shall be stated and expressed in a resolution or resolutions providing for the issue of such series as may be adopted by the board of directors as hereinafter provided. Each share of Preferred Stock shall rank on a parity with each other share of Preferred Stock, regardless of series, with respect to the payment of dividends at the respectively designated rates and with respect to the distribution of capital assets according to the amounts to which the shares of the respective series are entitled.

Authority is hereby expressly granted to and vested in the board of directors, subject to the provisions of this Article 3, to authorize one or more series of Preferred Stock and, with respect to each series, to fix by resolution or resolutions providing for the issue of such series:

- (a) the number of shares to constitute such series and the distinctive designation thereof;
- (b) the dividend rate on the shares of such series, dividend payment dates, whether such dividends shall be cumulative, and, if cumulative, the date or dates from which dividends shall accumulate;
- (c) whether or not the shares of such series shall be redeemable, and, if redeemable, the redemption prices which the holders of the shares of such series shall be entitled to receive upon the redemption thereof;
- (d) whether or not the shares of such series shall be subject to the operation of retirement or sinking funds to be applied to the purchase or redemption of such shares for retirement and, if such retirement or sinking fund or funds be established, the annual amount thereof and the terms and provisions relative to the operation thereof;
- (e) whether or not the shares of such series shall be convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same class of stock of the corporation and the conversion price or prices or ratio or ratios or the rate or rates at which such exchange may be made, with such adjustments relating to changes in the outstanding shares of such other class or classes or series of the same class of stock into which it is convertible or exchangeable for or otherwise, if any, as shall be stated and expressed or provided in such resolution or resolutions;
- (f) the preferences, if any, and the amounts thereof, which the shares of such series shall be entitled to receive upon the voluntary and involuntary dissolution of, or upon any distribution of the assets of, the corporation;
- (g) the voting power, if any, of the shares of such series, which voting power may include, at the option of the board of directors, provisions for increasing the number of directors by two or more and for the election of that number of members of the board of directors by the holders of shares of such series in the event that dividends payable on such series shall be in default in an amount equivalent to six full quarter-yearly dividends on all shares of such series at the time outstanding; and

(h) such other special rights and protective provisions as the board of directors may deem advisable.

Notwithstanding the fixing of the number of shares constituting a particular series upon the issuance thereof, the board of directors may at any time thereafter authorize the issuance of additional shares of the same series.

Holders of Preferred Stock shall be entitled to receive, when and as declared by the board of directors, out of funds legally available for the payment of dividends, dividends at the annual rates fixed by the board of directors for the respective series and no more, payable on such dates as the board of directors shall fix for the respective series as provided in this Article 3 (hereinafter referred to as "dividend dates"), in preference to dividends on any other class of stock of the corporation (except with respect to any other class of stock ranking prior to or on a parity with the Preferred Stock with respect to dividends), so that no cash payments or distributions shall be made to holders of the Common Stock of the corporation or any other class of stock ranking junior to the Preferred Stock with respect to dividends unless all accrued dividends for past and current dividend periods on all series of Preferred Stock entitled to cumulative dividends shall have been declared and set apart for payment and dividends for the current dividend period on all other series of Preferred Stock shall have been declared and set apart for payment. No dividend in respect of any current dividend period shall be declared and set apart for payment on any series of Preferred Stock unless there shall be or have been declared and set apart for payment on all outstanding shares of Preferred Stock (a) as to each series entitled to cumulative dividends, the full cumulative dividends for all past dividend periods, and (b) as to all series, dividends ratably in accordance with the sums which would be payable on the shares of the respective series for the current dividend period if all dividends for the current dividend period were declared and paid in full. No dividend in respect of past dividend periods shall be declared and set apart for payment on any series of Preferred Stock entitled to cumulative dividends unless there shall be or have been declared and set apart for payment on all outstanding shares of Preferred Stock entitled to cumulative dividends, dividends ratably in accordance with the sums which would be payable on the shares of the respective series entitled to cumulative dividends if all dividends due for all past dividend periods were declared and paid in full. Nothing contained in this Article 3 shall be deemed in any way to qualify or limit the right of the corporation or any subsidiary of the corporation to purchase or otherwise acquire at such time and for such consideration as the corporation shall deem appropriate any shares of its capital stock; provided that no shares of capital stock of the corporation shall be purchased or redeemed, by the corporation or by any subsidiary of the corporation, at any time when accrued dividends on any series of Preferred Stock entitled to cumulative dividends, remain unpaid for any period to and including the last preceding dividend date.

For the purposes of this Article 3, and of any resolutions fixing the terms of any series of Preferred Stock, the amount of dividends "accrued" on any share of Preferred Stock of any series entitled to cumulative dividends as at any dividend date shall be deemed to be the amount of any unpaid dividends accumulated thereon to and including such dividend date, whether or not earned or declared, and the amount of dividends "accrued" on any share of Preferred Stock of any series entitled to cumulative dividends as at any date other than a dividend date shall be calculated as the amount of any unpaid dividends accumulated thereon to and including the last

preceding dividend date, whether or not earned or declared, plus an amount computed, on the basis of a 360-day year, for the period after such last preceding dividend date to and including the date as of which the calculation is made at the annual dividend rate fixed for the shares of such series.

In the event that any series of Preferred Stock shall be entitled to a preference upon the dissolution of, or upon any distribution of the assets of, the corporation, then upon any such dissolution or distribution, before any payment or distribution of the assets of the corporation (whether capital or surplus) shall be made to or set apart for any other class or classes of stock (except with respect to any other class of stock ranking prior to or on a parity with the Preferred Stock with respect to assets), the holders of such series of Preferred Stock shall be entitled to payment of the amount of the preference, if any, payable upon such dissolution or distribution as may be fixed by the board of directors for the shares of the respective series as provided in this Article 3 before any payment or distribution shall be made on any other class or classes of capital stock. If, upon any such dissolution or distribution, the assets of the corporation distributable among the holders of any such series of the Preferred Stock entitled to a preference shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributed among the holders of each such series of the Preferred Stock ratably in accordance with the sums which would be payable on such distribution if the preferential amount aforesaid were paid in full. The voluntary sale, conveyance, exchange, lease, transfer, or other disposal (for cash, shares of stock, securities or other consideration, or any combination of the foregoing) of all or substantially all of the property and assets of the corporation, the merger or consolidation of the corporation into or with any other corporation, or the merger of any other corporation into it, shall not be deemed to be a dissolution of, or a distribution of the assets of, the corporation, for the purpose of this paragraph.

In the event that any series of Preferred Stock shall be redeemable, then, at the option of the board of directors, the corporation at any time or from time to time may redeem all, or any number less than all, of the outstanding shares of any such series at the redemption price thereof as may be fixed by the board of directors as provided in this Article 3 (the sum so payable upon any redemption of Preferred Stock being herein referred to as the "redemption price"); provided, that not less than 30 days previous to the date fixed for redemption (hereinafter referred to as the "redemption date"), a notice of the time and place thereof shall be mailed to each holder of record of the shares so to be redeemed at his address as shown by the records of the corporation; and provided further, that in case of redemption of less than all of the outstanding shares of any series of Preferred Stock, the board of directors shall determine the shares to be redeemed by lot or pro rata in such manner as the board of directors deems equitable. At any time after notice of redemption shall have been mailed as above provided to the holders of the shares so to be redeemed, the corporation may deposit the aggregate redemption price, in trust, with a bank or trust company, the name and address of which shall be designated in such notice, for payment, on or before the redemption date, of the redemption price for the shares called for redemption. Upon the making of such deposit, or if no such deposit is made, then upon the redemption date (unless the corporation shall default in making payment of the redemption price), holders of the shares of Preferred Stock called for redemption shall cease to be stockholders with respect to such shares notwithstanding that any certificate for such shares shall not have been surrendered, and thereafter such shares shall no longer be transferable on the books of the corporation and

such holders shall have no interest in or claim against the corporation with respect to said shares, except the right (a) to receive payment of the redemption price upon surrender of their certificates, or (b) to exercise on or before the redemption date the rights, if any, not theretofore expiring to convert the shares so called for redemption into, or to exchange such shares for, shares of stock of any other class or classes or of any other series of the same class of stock of the corporation. Any funds deposited in trust as aforesaid which shall not be required for such redemption because of the exercise of any right of conversion or otherwise subsequent to the date of such deposit, shall be returned to the corporation forthwith. The corporation shall be entitled to receive from any bank or trust company the interest, if any, allowed on any moneys deposited as in this paragraph provided, and the holders of any shares so redeemed shall have no claim to any such interest. Any funds so deposited by the corporation and unclaimed at the end of five years from the redemption date shall be repaid to the corporation upon its request, after which repayment the holders of such shares who shall not have made claim against such moneys prior to such repayment shall be deemed to be unsecured creditors of the corporation, but only for a period of two years from the date of such repayment (after which all rights of the holders of such shares as unsecured creditors or otherwise shall cease), for an amount equivalent to the amount deposited as above stated for the redemption of such shares and so repaid to the corporation, but shall in no event be entitled to any interest.

In order to facilitate the redemption of any shares of Preferred Stock, the board of directors is authorized to cause the transfer books of the corporation to be closed as to the shares to be redeemed.

No shares of Preferred Stock which shall at any time have been purchased by the corporation or redeemed, or which shall at any time have been surrendered for conversion or exchange, or for cancellation pursuant to any retirement or sinking fund provisions with respect to any series of Preferred Stock, shall be reissued.

If the board of directors grants voting power to the holders of shares of any series of Preferred Stock, the holders of shares of such series shall be entitled to no more than one vote per share voting with the holders of shares of the Common Stock at each annual or special meeting of stockholders upon all matters upon which a vote is taken except that if the holders of shares of such series shall be entitled to elect two or more directors, as a class, the holders of shares of such series shall not be entitled to a vote for the election of any other directors of the corporation. In the event that the Common Stock is subdivided, or increased by reason of a dividend payable in shares of Common Stock, or combined, the number of votes to which each share of such series shall be so entitled shall be increased, in the case of a subdivision, or in the case of such a dividend, or reduced, in the case of a combination, in the same proportion as the subdivision, increase by dividend, or combination of the Common Stock.

The holders of Preferred Stock shall not be entitled to any preemptive or preferential right to subscribe for or purchase any shares of capital stock of the corporation or any securities convertible into shares of capital stock of the corporation.

COMMON STOCK

Each share of Common Stock shall be equal in all respects to every other share of Common Stock of the corporation. Each share of Common Stock shall be entitled to one vote per share at each annual or special meeting of stockholders for the election of directors and upon any other matter coming before such meeting. Subject to all the rights of the Preferred Stock, dividends may be paid upon the Common Stock as and when declared by the board of directors out of any funds of the corporation legally available therefor. Upon any liquidation, dissolution or winding up of the corporation, whether voluntary or involuntary, and after the holders of each series of the Preferred Stock shall have been paid in full, the amounts to which they respectively shall be entitled under this Article 3, the remaining assets of the corporation shall be distributed pro rata to the holders of the Common Stock.

The holders of Common Stock shall not be entitled to any preemptive or preferential right to subscribe for or purchase any shares of capital stock of the corporation or any securities convertible into shares of capital stock of the corporation.

VOTING

No holder of shares of capital stock possessing voting power shall have the right to cumulate his or her voting power in the election of directors.

ARTICLE 4 GOVERNING BOARD

The members of the governing board shall be known as directors and the number thereof shall be not less than three nor more than fifteen, the exact number to be fixed in accordance with bylaws of the corporation; provided that the number so fixed in accordance with the bylaws may be increased or decreased within the limit above specified from time to time.

ARTICLE 5 SHARES NON-ASSESSABLE

The capital stock, after the amount of the subscription price, or par value, if greater, has been paid in shall be subject to no further assessment to pay the debts of the corporation.

ARTICLE 6 ELECTION OF DIRECTORS

At each meeting of holders of shares of capital stock for the election of directors at which a quorum is present, a nominee for election as a director in an uncontested election shall be elected to the board of directors if the number of votes cast for such nominee's election exceeds the number of votes cast against such nominee's election. For purposes of this Article 6, abstentions will not be considered votes cast for or against a nominee at the meeting. Notwithstanding the foregoing, if the number of candidates exceeds the number of directors to be elected, then, in that election, the nominees receiving the greatest number of votes shall be elected.

For purposes of this Article 6, an “uncontested election” means any meeting of holders of shares of capital stock at which the number of nominees does not exceed the number of directors to be elected and with respect to which no holder of capital stock has submitted notice of an intent to nominate a candidate for election at such meeting in accordance with the bylaws, as they may be amended from time to time, or, if such a notice has been submitted with respect to such meeting, on or before the tenth day prior to the date that the corporation files its definitive proxy statement relating to such meeting with the Securities and Exchange Commission (regardless of whether or not it is thereafter revised or supplemented}, each such notice with respect to such meeting has been (A) withdrawn by its respective submitting stockholder in writing to the secretary of the corporation, (B) determined not to be a valid and effective notice of nomination (such determination to be made by the Board of Directors (or a designated committee thereof) pursuant to the bylaws, or, if challenged in court, by final court order) or (C) determined not to create a bona fide election contest by the Board of Directors (or a designated committee thereof).

ARTICLE 7

PERPETUAL EXISTENCE

This corporation is to have perpetual existence.

ARTICLE 8

BYLAWS

Subject to the bylaws, if any, adopted by the stockholders, the board of directors is expressly authorized to make, alter or amend the bylaws of the corporation.

The directors, without restriction or limitation, shall have all of the powers and authorities expressly conferred upon them by the statutes of this State and this corporation may in its bylaws confer powers upon its directors in addition to the powers and authorities expressly conferred upon them by the statutes of this State.

ARTICLE 9
MEETINGS OF STOCKHOLDERS

Meetings of stockholders may be held without the State of Nevada, if the bylaws so provide. The books of this corporation may be kept (subject to the provision of the statutes) outside of the State of Nevada at such places as may be from time to time designated by the board of directors or in the bylaws of the corporation.

ARTICLE 10
AMENDMENTS

This corporation reserves the right to amend, alter, change or repeal any provision contained in these articles of incorporation, in the manner now or hereafter prescribed by statute, or by these articles of incorporation, and all rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE 11
PREEMPTIVE RIGHTS DENIED

No holder of shares of stock of the corporation shall be entitled as of right to purchase or subscribe for any part of any unissued stock of this corporation or of any new or additional authorized stock of the corporation of any class whatsoever, or of any issue of securities of the corporation convertible into stock, whether such stock or securities be issued for money or for a consideration other than money or by way of dividend, but any such unissued stock or such new or additional authorized stock or such securities convertible into stock may be issued and disposed of to such persons, firms, corporations and associations, and upon such terms as may be deemed advisable by the board of directors without offering to stockholders then of record or any class of stockholders any thereof upon the same terms or upon any terms.

ARTICLE 12
LIABILITY OF OFFICERS AND DIRECTORS

The liability of directors and officers of the corporation shall be eliminated or limited to the fullest extent permitted by the Nevada Revised Statutes. If the Nevada Revised Statutes are amended to further eliminate or limit or authorize corporate action to further eliminate or limit the liability of directors or officers, the liability of directors and officers of the corporation shall be eliminated or limited to the fullest extent permitted by the Nevada Revised Statutes, as so amended from time to time. If the Nevada Revised Statutes are amended after approval by the stockholders of this Article 13 to authorize corporate action further eliminating or limiting the personal liability of directors or officers, the liability of a director or officer of the corporation shall be eliminated or limited to the fullest extent permitted by the Nevada Revised Statutes, as so amended from time to time. No repeal or modification of this Article 13 by the stockholders shall adversely affect any right or protection of a director or officer of the corporation existing by virtue of this Article 13 at the time of such repeal or modification.

ARTICLE 13
INDEMNIFICATION

- (a) The corporation shall indemnify and hold harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was or has agreed to become a director or officer of the corporation or is serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise or by reason of actions alleged to have been taken or omitted in such capacity or in any other capacity while serving as a director or officer. The indemnification of directors and officers by the corporation shall be to the fullest extent authorized or permitted by applicable law, as such law exists or may hereafter be amended (but only to the extent that such amendment permits the corporation to provide broader indemnification rights than permitted prior to the amendment). The indemnification of directors and officers shall be against all loss, liability and expense (including attorneys fees, costs, damages, judgments, fines, amounts paid in settlement and ERISA excise taxes or penalties) actually and reasonably incurred by or on behalf of a director or officer in connection with such action, suit or proceeding, including any appeal; provided, however, that with respect to any action, suit or proceeding initiated by a director or officer, the corporation shall indemnify such director or officer only if the action, suit or proceeding was authorized by the board of directors of the corporation, except with respect to a suit for the enforcement of rights to indemnification or advancement of expenses in accordance with Section (c) hereof.
- (b) The expenses of directors and officers incurred as a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative shall be paid by the corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding; provided, however, that if applicable law so requires, the advance payment of expenses shall be made only upon receipt by the corporation of an undertaking by or on behalf of the director or officer to repay all amounts so advanced in the event that it is ultimately determined by a final decision, order or decree of a court of competent jurisdiction that the director or officer is not entitled to be indemnified for such expenses under this Article 14.
- (c) Any director or officer may enforce his or her rights to indemnification or advance payments for expenses in a suit brought against the corporation if his or her request for indemnification or advance payments for expenses is wholly or partially refused by the corporation or if there is no determination with respect to such request within 60 days from receipt by the corporation of a written notice from the director or officer for such a determination. If a director or officer is successful in establishing in a suit his or her entitlement to receive or recover an advancement of expenses or a right to indemnification, in whole or in part, he or she shall also be indemnified by the corporation for costs and expenses incurred in such suit. It shall be a defense to any

such suit (other than a suit brought to enforce a claim for the advancement of expenses under Section (b) of this Article 14 where the required undertaking, if any, has been received by the corporation) that the claimant has not met the standard of conduct set forth in the Nevada Revised Statutes. Neither the failure of the corporation to have made a determination prior to the commencement of such suit that indemnification of the director or officer is proper in the circumstances because the director or officer has met the applicable standard of conduct nor a determination by the corporation that the director or officer has not met such applicable standard of conduct shall be a defense to the suit or create a presumption that the director or officer has not met the applicable standard of conduct. In a suit brought by a director or officer to enforce a right under this Section (c) or by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that a director or officer is not entitled to be indemnified or is not entitled to an advancement of expenses under this Section (c) or otherwise, shall be on the corporation.

- (d) The right to indemnification and to the payment of expenses as they are incurred and in advance of the final disposition of the action, suit or proceeding shall not be exclusive of any other right to which a person may be entitled under these articles of incorporation or any bylaw, agreement, statute, vote of stockholders or disinterested directors or otherwise. The right to indemnification under Section (a) hereof shall continue for a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, next of kin, executors, administrators and legal representatives.
- (e) The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any loss, liability or expense, whether or not the corporation would have the power to indemnify such person against such loss, liability or expense under the Nevada Revised Statutes.
- (f) The corporation shall not be obligated to reimburse the amount of any settlement unless it has agreed to such settlement. If any person shall unreasonably fail to enter into a settlement of any action, suit or proceeding within the scope of Section (a) hereof, offered or assented to by the opposing party or parties and which is acceptable to the corporation, then, notwithstanding any other provision of this Article 14, the indemnification obligation of the corporation in connection with such action, suit or proceeding shall be limited to the total of the amount at which settlement could have been made and the expenses incurred by such person prior to the time the settlement could reasonably have been effected.
- (g) The corporation may, to the extent authorized from time to time by the board of directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the corporation or to any director, officer, employee or agent of any of its subsidiaries to the fullest extent of the provisions of this Article 14 subject to the imposition of any conditions or limitations as the board of directors of the corporation may deem necessary or appropriate.

BYLAWS
OF
PERSPECTA INC.

ARTICLE I

OFFICES

Section 1. Offices. The Corporation may have offices in such places, both within and without the State of Nevada, as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Place of Annual Meetings. Annual meetings of the stockholders shall be held at such place as shall be designated by the Board of Directors. In lieu of holding a meeting of stockholders at a designated place, the Board of Directors, may, in its sole discretion, determine that any meeting of stockholders may be held solely by means of remote communication. For the purpose of this **Section 1**, “remote communication” shall mean electronic communications, videoconferencing, teleconferencing or other available technology where the Corporation has implemented reasonable measures to: (a) verify the identity of each person participating through such means as a stockholder; and (b) provide the stockholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to communicate, and to read or hear the proceedings of the meetings in a substantially concurrent manner with such proceedings.

Section 2. Date of Annual Meetings; Election of Directors; Action at Meetings of Stockholders.

(a) Annual meetings of the stockholders shall be held at such time and date as the Board of Directors shall determine. At each annual meeting of the stockholders, the stockholders of the Corporation shall elect a Board of Directors and transact such other business as has been properly brought before the meeting in accordance with this **Section 2**. To be properly brought before an annual meeting, nominations and other business must be: (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the meeting by a stockholder of record at the time of giving notice provided for in these Bylaws, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this **Section 2**.

(b) For nominations or other business to be properly brought before an annual meeting by a stockholder of record, the stockholder of record must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must be a proper subject for stockholder action. To be timely, a stockholder of record’s notice must be delivered to or mailed

and received at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary date of the preceding year's annual meeting of stockholders; *provided, however*, that in the event that no annual meeting was held in the previous year or the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after the anniversary date of the previous year's annual meeting, notice by the stockholder of record to be timely must be so received not earlier than the close of business on the one hundred twentieth (120th) day prior to the annual meeting and not later than the close of business on the later of (x) the ninetieth (90th) day prior to the annual meeting and (y) the tenth (10th) day following the date on which public announcement of the date of such meeting is first made. For purposes of this Article II, the term "public announcement" means disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the United States Securities and Exchange Commission (the "Commission"), or in a notice pursuant to the applicable rules of an exchange on which the securities of the Corporation are listed. In no event will the public announcement of an adjournment or postponement of a stockholders meeting commence a new time period (or extend any time period) for the giving of a stockholder of record's notice as described above.

(c) A stockholder of record's notice to the Secretary to be proper must set forth as to each matter such stockholder proposes to bring before the annual meeting (other than director nominations by such stockholder, which are governed by Section 2(e) of this Article II): (1) a brief description of the business desired to be brought before the annual meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the annual meeting and any material interest in such business of such stockholder and any beneficial owner (within the meaning of Section 13(d) of the Securities Exchange Act of 1934 (the "1934 Act")), if different from such stockholder, on whose behalf the business is being proposed by such stockholder, a reasonably detailed description of all agreements, arrangements and understandings (x) between or among any of the Proposing Persons (as defined below) or (y) between or among any Proposing Person and any other person or entity (including their names) in connection with the proposal of such business by such stockholder, and any other information relating to such item of business that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act; (2) as to each Proposing Person: (A) the name and address of such Proposing Person (including, if applicable, the name and address that appear on the Corporation's books and records), (B) the class and number of shares of the Corporation which are directly or indirectly, owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) by such Proposing Person, except that such Proposing Person shall in all events be deemed to beneficially own any shares of any class or series of the Corporation as to which such Proposing Person has a right to acquire beneficial ownership at any time in the future (the disclosures to be made pursuant to the foregoing clauses (A) and (B) are referred to as "Stockholder Information"), (C) a representation that such stockholder intends to appear in person or by proxy at the meeting to propose such business, (D) a description of any agreement, arrangement or understanding with respect to the business between or among any Proposing

Person, on the one hand, and any other person, on the other hand, including without limitation any agreements that would be required to be disclosed pursuant to Item 5 or Item 6 of the 1934 Act Schedule 13D (regardless of whether the requirement to file a Schedule 13D is applicable to such stockholder or any such beneficial owner), (E) the full notional amount of any securities that, directly or indirectly, underlie any “derivative security” (as such term is defined in Rule 16a-1(c) under the Exchange Act) that constitutes a “call equivalent position” (as such term is defined in Rule 16a-1(b) under the Exchange Act) (“Synthetic Equity Position”) and that is, directly or indirectly, held or maintained by such Proposing Person with respect to any shares of any class or series of shares of the Corporation; provided that, for the purposes of the definition of “Synthetic Equity Position,” the term “derivative security” shall also include any security or instrument that would not otherwise constitute a “derivative security” as a result of any feature that would make any conversion, exercise or similar right or privilege of such security or instrument becoming determinable only at some future date or upon the happening of a future occurrence, in which case the determination of the amount of securities into which such security or instrument would be convertible or exercisable shall be made assuming that such security or instrument is immediately convertible or exercisable at the time of such determination; and, provided, further, that any Proposing Person satisfying the requirements of Rule 13d-1(b)(1) under the Exchange Act (other than a Proposing Person that so satisfies Rule 13d-1(b)(1) under the Exchange Act solely by reason of Rule 13d-1(b)(1)(ii)(E)) shall not be deemed to hold or maintain the notional amount of any securities that underlie a Synthetic Equity Position held by such Proposing Person as a hedge with respect to a bona fide derivatives trade or position of such Proposing Person arising in the ordinary course of such Proposing Person’s business as a derivatives dealer, (F) any other material relationship between such Proposing Person, on the one hand, and the Corporation or any affiliate of the Corporation, on the other hand, (G) any direct or indirect material interest in any material contract or agreement of such Proposing Person with the Corporation or any affiliate of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement), (H) a representation that such Proposing Person intends or is part of a group which intends to deliver a proxy statement or form of proxy to holders of at least the percentage of the Corporation’s outstanding capital stock required to approve or adopt the proposal or otherwise solicit proxies from stockholders in support of such proposal and (I) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Proposing Person in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act (the disclosures to be made pursuant to the foregoing clauses (A) through (I) are referred to as “Disclosable Interests”); *provided, however*, that the disclosures required by this paragraph shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner.

For purposes of this Section 2(c), the term “Proposing Person” shall mean (i) the stockholder providing the notice of business proposed to be brought before an annual meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the business proposed to be brought before the annual meeting is made, and (iii) any participant (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A) with such stockholder in such solicitation.

A Proposing Person shall update and supplement its notice to the Corporation of its intent to propose business at an annual meeting, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2(c) shall be true and correct as of the record date for stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for stockholders entitled to vote at the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

Notwithstanding anything in these Bylaws to the contrary, no business will be conducted at any annual meeting except in accordance with the procedures set forth in this Section 2. The chairman of the annual meeting may determine and declare, if the facts warrant, at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section 2, and, if he or she should so determine, he or she will so declare at the meeting that any such business not properly brought before the meeting will not be transacted. For purposes of this Section 2, to be considered a qualified representative of a stockholder of record, a person must be a duly authorized officer, manager or partner of such stockholder or authorized by a writing executed by such stockholder (or a reliable reproduction or electronic transmission of the writing) delivered to the Corporation prior to the proposing of the business at the meeting by such stockholder stating that the person is authorized to act for such stockholder as proxy at the meeting of stockholders.

Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the Corporation's proxy statement and form of proxy for an annual meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act, and the foregoing notice requirements of this Section 2 will not apply to stockholders who have notified the Corporation of their intention to present a stockholder proposal only pursuant to and in compliance with such regulations.

(d) Only persons who are nominated in accordance with the procedures set forth in this Section 2(d), Section 2(e) or Section 3, as applicable, will be eligible for election as directors. Nominations of persons for election to the Board of Directors may be made at an annual meeting of stockholders, or at a special meeting of stockholders at which directors are to be elected pursuant to the notice for such meeting, by or at the direction of the Board of Directors or by any stockholder of record of the Corporation at the time of giving notice provided for in these Bylaws, who is entitled to vote in the election of directors at the meeting and who complies with the notice procedures set forth in this Section 2 or Section 3, as applicable.

(e) Nominations, other than those made by or at the direction of the Board of Directors, to be proper must be made by a stockholder of record pursuant to timely notice in writing to the Secretary of the Corporation in accordance with the time periods described in Section 2(b) in the case of an annual meeting and Section 5(c) in the case of a special meeting. Such stockholder of

record's notice to be proper must set forth (1) as to each person, if any, whom such stockholder proposes to nominate for election or re-election as a director: (A) all information with respect to such candidate for nomination that would be required to be set forth in a stockholder's notice pursuant to this Section 2(e) and Section 4 if such candidate for nomination were a Nominating Person (as defined below), (B) all information relating to such candidate for nomination that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14(a) under the Exchange Act (including such candidate's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (C) a description of any direct or indirect material interest in any material contract or agreement between or among any Nominating Person, on the one hand, and each candidate for nomination or his or her respective associates or any other participants in such solicitation, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such Nominating Person were the "registrant" for purposes of such rule and the candidate for nomination were a director or executive officer of such registrant, and (D) a completed and signed questionnaire, representation and agreement as provided in Section 4(a); (2) as to each Nominating Person: (A) the Stockholder Information (as defined in Section 2(c)), except that for purposes of this Section 2(e) the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 2(c)), (B) a representation that such stockholder intends to appear in person or by proxy at the meeting to present the nomination, and (C) any Disclosable Interests (as defined in Section 2(c)), except that for purposes of this Section 2(e) the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 2(c) and the disclosure with respect to the business to be brought before the meeting in Section 2(c) shall be made with respect to the election of directors at the meeting). No person will be eligible for election as a director of the Corporation unless nominated by or at the direction of the Board of Directors or by a stockholder in accordance with the procedures set forth in this Section 2(e).

For purposes of this Section 2(e), the term "Nominating Person" shall mean (i) the stockholder providing the notice of the nomination proposed to be made at the meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination proposed to be made at the meeting is made, and (iii) any other participant in such solicitation.

A stockholder providing notice of any nomination proposed to be made at a meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2(e) shall be true and correct as of the record date for stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for stockholders entitled to vote at the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

(f) The chairman of the annual meeting may determine and declare, if the facts warrant, at the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and in such event the defective nomination will be disregarded.

Section 3. Proxy Access.

(a) Subject to the provisions of this Section 3, if any Eligible Stockholder (as defined below) or group of up to twenty (20) Eligible Stockholders submits to the Corporation a Proxy Access Notice (as defined below) that complies with this Section 3 and such Eligible Stockholder or group of Eligible Stockholders otherwise satisfies all the terms and conditions of this Section 3 (such Eligible Stockholder or group of Eligible Stockholders, a “Nominating Stockholder”), the Corporation shall include in its proxy statement or on its form of proxy and ballot, as applicable (collectively, “proxy materials”), for any annual meeting of stockholders, in addition to any persons nominated for election by the Board of Directors or any committee thereof:

(i) the name of any person or persons nominated by such Nominating Stockholder for election to the Board of Directors at such annual meeting of stockholders who meets the requirements of this Section 3 (a “Nominee”);

(ii) disclosure about the Nominee and the Nominating Stockholder required under the rules of the Commission or other applicable law to be included in the proxy materials;

(iii) subject to the other applicable provisions of this Section 3, a written statement, not to exceed five-hundred (500) words, that is not contrary to any of the Commission’s proxy rules, including Rule 14a-9 under the 1934 Act (a “Supporting Statement”), included by the Nominating Stockholder in the Proxy Access Notice intended for inclusion in the proxy materials in support of the Nominee’s election to the Board of Directors; and

(iv) any other information that the Corporation or the Board of Directors determines, in its discretion, to include in the proxy materials relating to the nomination of the Nominee, including, without limitation, any statement in opposition to the nomination and any of the information provided pursuant to this Section 3.

(b) Maximum Number of Nominees.

(i) The Corporation shall not be required to include in the proxy materials for an annual meeting of stockholders more Nominees than that number of directors constituting twenty percent (20%) of the total number of directors of the Corporation on the last day on which a Proxy Access Notice may be submitted pursuant to this Section 3 (rounded down to the nearest whole number, but not less than two (2) (the “Maximum Number”). The Maximum Number for a particular annual meeting shall be reduced by: (A) the number of Nominees who are subsequently withdrawn or that the Board of Directors itself decides to nominate for election at such annual meeting of stockholders (including, without limitation, any person who is or will be nominated by the Board of Directors pursuant to any agreement or understanding with one or more stockholders to avoid such person being formally

proposed as a Nominee), and (B) the number of incumbent directors who had been Nominees with respect to any of the preceding two (2) annual meetings of stockholders and whose reelection at the upcoming annual meeting of stockholders is being recommended by the Board of Directors (including, without limitation, any person who was nominated by the Board of Directors pursuant to any agreement or understanding with one or more stockholders to avoid such person being formally proposed as a Nominee). In the event that one (1) or more vacancies for any reason occurs on the Board of Directors after the deadline set forth in Section 3(d) but before the date of the annual meeting of stockholders, and the Board of Directors resolves to reduce the size of the Board of Directors in connection therewith, the Maximum Number shall be calculated based on the number of directors as so reduced.

(ii) Any Nominating Stockholder submitting more than one (1) Nominee for inclusion in the Corporation's proxy materials shall rank such Nominees based on the order that the Nominating Stockholder desires such Nominees to be selected for inclusion in the Corporation's proxy materials in the event that the total number of Nominees submitted by Nominating Stockholders exceeds the Maximum Number. In the event that the number of Nominees submitted by Nominating Stockholders exceeds the Maximum Number, the highest ranking Nominee from each Nominating Stockholder will be included in the Corporation's proxy materials until the Maximum Number is reached, going in order from largest to smallest of the number of shares of common stock of the Corporation owned by each Nominating Stockholder as disclosed in each Nominating Stockholder's Proxy Access Notice. If the Maximum Number is not reached after the highest ranking Nominee of each Nominating Stockholder has been selected, this process will be repeated as many times as necessary until the Maximum Number is reached. If, after the deadline for submitting a Proxy Access Notice as set forth in Section 3(d), a Nominating Stockholder ceases to satisfy the requirements of this Section 3 or withdraws its nomination or a Nominee ceases to satisfy the requirements of this Section 3 or becomes unwilling or unable to serve on the Board of Directors, whether before or after the mailing of definitive proxy materials, then the nomination shall be disregarded, and the Corporation: (A) shall not be required to include in its proxy materials the disregarded Nominee and (B) may otherwise communicate to its stockholders, including without limitation by amending or supplementing its proxy materials, that the Nominee will not be included as a Nominee in the proxy materials and the election of such Nominee will not be voted on at the annual meeting of stockholders.

(c) Eligibility of Nominating Stockholder.

(i) An "Eligible Stockholder" is a person who has either (A) been a record holder of the shares of common stock used to satisfy the eligibility requirements in this Section 3(c) continuously for the three-year period specified in Subsection (ii) below or (B) provides to the Secretary of the Corporation, within the time period referred to in Section 3(d), evidence of continuous ownership of such shares for such three-year period from one or more securities intermediaries in a form that satisfies the requirements as established by the Commission for a stockholder proposal under Rule 14a-8 under the 1934 Act (or any successor rule).

(ii) An Eligible Stockholder or group of up to twenty (20) Eligible Stockholders may submit a nomination in accordance with this Section 3 only if the person or each member of the group, as applicable, has continuously owned at least the Minimum Number (as defined below) of shares of the Corporation's outstanding common stock throughout the three-year period preceding and including the date of submission of the Proxy Access Notice, and continues to own at least the Minimum Number through the date of the annual meeting of stockholders. Two (2) or more funds that are (A) under common management and investment control, (B) under common management and funded primarily by a single employer or (C) a "group of investment companies," as such term is defined in Section 12(d)(1)(G)(ii) of the Investment Company Act of 1940, as amended, (two or more funds referred to under any of clause (A), (B) or (C), collectively a "Qualifying Fund") shall be treated as one (1) Eligible Stockholder. For the avoidance of doubt, in the event of a nomination by a group of Eligible Stockholders, any and all requirements and obligations for an individual Eligible Stockholder that are set forth in this Section 3, including the minimum holding period, shall apply to each member of such group; *provided, however*, that the Minimum Number shall apply to the ownership of the group in the aggregate. Should any stockholder withdraw from a group of Eligible Stockholders at any time prior to the annual meeting of stockholders, the group of Eligible Stockholders shall only be deemed to own the shares held by the remaining members of the group.

(iii) The "Minimum Number" of shares of the Corporation's common stock means three percent (3%) of the number of outstanding shares of common stock as of the most recent date for which such amount is given in any filing by the Corporation with the Commission prior to the submission of the Proxy Access Notice.

(iv) For purposes of this Section 3, an Eligible Stockholder "owns" only those outstanding shares of the common stock of the Corporation as to which the Eligible Stockholder possesses both:

(A) the full voting and investment rights pertaining to the shares; and

(B) the full economic interest in (including the opportunity for profit and risk of loss on) such shares;

provided, that the number of shares calculated in accordance with clauses (A) and (B) shall not include any shares: (1) sold by such Eligible Stockholder or any of its affiliates in any transaction that has not been settled or closed, (2) borrowed by such Eligible Stockholder or any of its affiliates for any purpose or purchased by such Eligible Stockholder or any of its affiliates pursuant to an agreement to resell, or (3) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such Eligible Stockholder or any of its affiliates, whether any such instrument or agreement is to be settled with shares, cash or other property based on the notional amount or value of outstanding shares of the Corporation, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of: (w) reducing in any manner, to any extent or at any time in the future, such Eligible Stockholder's or any of its affiliates' full right to vote or direct the voting of any such shares, and/or (x) hedging, offsetting, or altering to any degree, gain or loss arising from the full economic ownership of such shares by such Eligible

Stockholder or any of its affiliates. An Eligible Stockholder “owns” shares held in the name of a nominee or other intermediary so long as the Eligible Stockholder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. An Eligible Stockholder’s ownership of shares shall be deemed to continue during any period in which the Eligible Stockholder has delegated any voting power by means of a proxy, power of attorney, or other similar instrument or arrangement that is revocable at any time by the Eligible Stockholder. An Eligible Stockholder’s ownership of shares shall be deemed to continue during any period in which the Eligible Stockholder has loaned such shares; *provided* that the Eligible Stockholder has the power to recall such loaned shares on no more than three (3) business days’ notice and includes in the Proxy Access Notice an agreement that it will (y) recall such loaned shares as of the record date for determining the stockholders entitled to vote at the annual meeting (and, if requested by the Corporation, provide to the Corporation evidence satisfactory to the Corporation that such shares were owned and recalled as of the record date) and (z) continue to hold such recalled shares (including the right to vote such shares) through the date of the annual meeting of stockholders. The terms “owned,” “owning” and other variations of the word “own” shall have correlative meanings. Each Nominating Stockholder shall furnish any other information that may reasonably be required by the Board of Directors to verify such stockholder’s continuous ownership of at least the Minimum Number during the three-year period referred to above.

(v) No person may be in more than one (1) group constituting a Nominating Stockholder, and if any person appears as a member of more than one (1) group, it shall be deemed to be a member of the group that owns the greatest aggregate number of shares of the Corporation’s common stock as reflected in the Proxy Access Notice, and no shares may be attributed as owned by more than one person constituting a Nominating Stockholder under this Section 3.

(d) Proxy Access Notice. To nominate a Nominee, the Nominating Stockholder must, no earlier than one-hundred fifty (150) calendar days and no later than one-hundred twenty (120) calendar days before the date of the Corporation’s proxy materials released to stockholders in connection with the previous year’s annual meeting of stockholders, submit to the Secretary of the Corporation at the principal executive office of the Corporation all of the following information and documents (collectively, the “Proxy Access Notice”):

(i) A Schedule 14N (or any successor form) relating to the Nominee, completed and filed with the Commission by the Nominating Stockholder as applicable, in accordance with the Commission’s rules;

(ii) A written notice of the nomination of such Nominee that includes the following additional information, agreements, representations and warranties by the Nominating Stockholder (including each group member):

(A) the information, representations and agreements required with respect to the nomination of directors pursuant to Section 2(e) and Section 4 of these Bylaws;

(B) the details of any relationship that existed within the past three (3) years and that would have been described pursuant to Item 6(e) of Schedule 14N (or any successor item) if it existed on the date of submission of the Schedule 14N;

(C) a representation and warranty that the Nominating Stockholder did not acquire, and is not holding, securities of the Corporation for the purpose or with the effect of influencing or changing control of the Corporation;

(D) a representation and warranty that the Nominee's candidacy or, if elected, Board of Directors membership, would not violate the Certificate of Incorporation, these Bylaws, or any applicable state or federal law or the rules of any stock exchange on which the Corporation's common stock is traded;

(E) a representation and warranty that the Nominee:

(I) does not have any direct or indirect material relationship with the Corporation and otherwise would qualify as an "independent director" under the rules of the primary stock exchange on which the Corporation's common stock is traded and any applicable rules of the Commission;

(II) would meet the audit committee independence requirements under the rules of the Commission and of the principal stock exchange on which the Corporation's common stock is traded;

(III) would qualify as a "non-employee director" for the purposes of Rule 16b-3 under the Exchange Act (or any successor rule);

(IV) would qualify as an "outside director" for the purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (or any successor provision);

(V) is not and has not been, within the past three (3) years, an officer, director, affiliate or representative of a competitor, as defined under Section 8 of the Clayton Antitrust Act of 1914, as amended, and if the Nominee has held any such position during this period, details thereof; and

(VI) is not and has not been subject to any event specified in Rule 506(d)(1) of Regulation D (or any successor rule) under the Securities Act of 1933, as amended, or Item 401(f) of Regulation S-K (or any successor rule) under the 1934 Act, without reference to whether the event is material to an evaluation of the ability or integrity of the Nominee;

(F) a representation and warranty that the Nominating Stockholder satisfies the eligibility requirements set forth in Section 3(c), has provided evidence of ownership to the extent required by Section 3(c)(i), and such evidence of ownership is true, complete and correct in all respects;

(G) a representation and warranty that the Nominating Stockholder intends to continue to satisfy the eligibility requirements described in Section 3(c) through the date of the annual meeting of stockholders;

(H) a statement as to whether or not the Nominating Stockholder intends to continue to hold the Minimum Number of shares for at least one (1) year following the annual meeting of stockholders, which statement may also include a description as to why such Nominating Stockholder is unable to make the foregoing statement;

(I) a representation and warranty that the Nominating Stockholder will not engage in or support, directly or indirectly, a “solicitation” within the meaning of Rule 14a-1(l) (without reference to the exception in Section 14a-1(l)(2)(iv)) (or any successor rules) with respect to the annual meeting of stockholders, other than a solicitation in support of the Nominee or any nominee of the Board of Directors;

(J) a representation and warranty that the Nominating Stockholder will not use any proxy card other than the Corporation’s proxy card in soliciting stockholders in connection with the election of a Nominee at the annual meeting of stockholders;

(K) if desired by the Nominating Stockholder, a Supporting Statement;

(L) in the case of a nomination by a group, the designation by all group members of one (1) group member that is authorized to act on behalf of all group members with respect to matters relating to the nomination, including withdrawal of the nomination;

(M) in the case of any Eligible Stockholder that is a Qualifying Fund consisting of two (2) or more funds, documentation demonstrating that the funds are eligible to be treated as a Qualifying Fund and that each such fund comprising the Qualifying Fund otherwise meets the requirements set forth in this Section 3; and

(N) a representation and warranty that the Nominating Stockholder has not nominated and will not nominate for election any individual as director at the annual meeting of stockholders other than its Nominee(s).

(iii) An executed agreement pursuant to which the Nominating Stockholder (including each group member) agrees:

(A) to comply with all applicable laws, rules and regulations in connection with the nomination, solicitation and election;

(B) to file with the Commission any solicitation or other communication with the Corporation’s stockholders relating to any Nominee or one or more of the Corporation’s directors or director nominees, regardless of whether any such filing is required under any law, rule or regulation or whether any exemption from filing is available for such materials under any law, rule or regulation;

(C) to assume all liability stemming from an action, suit or proceeding concerning any actual or alleged legal or regulatory violation arising out of any communication by the Nominating Stockholder with the Corporation, its stockholders or any other person in connection with the nomination or election of directors, including, without limitation, the Proxy Access Notice;

(D) to indemnify and hold harmless (jointly and severally with all other group members, in the case of a group member) the Corporation and each of its directors, officers and employees individually against any liability, loss, damages, expenses, demands, claims or other costs (including reasonable attorneys' fees and disbursements of counsel) incurred in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its directors, officers or employees arising out of any nomination submitted by the Nominating Stockholder (including, without limitation, relating to any breach or alleged breach of its obligations, agreements, representations or warranties) pursuant to this Section 3;

(E) in the event that (i) any information included in the Proxy Access Notice, or any other communication by the Nominating Stockholder (including with respect to any group member) with the Corporation, its stockholders or any other person in connection with the nomination or election of directors ceases to be true and accurate in all material respects (or omits a material fact necessary to make the statements made not misleading), or (ii) the Nominating Stockholder (including any group member) fails to continue to satisfy the eligibility requirements described in Section 3(c), the Nominating Stockholder shall promptly (and in any event within forty-eight (48) hours of discovering such misstatement, omission or failure) (x) in the case of clause (i) above, notify the Corporation and any other recipient of such communication of the misstatement or omission in such previously provided information and of the information that is required to correct the misstatement or omission, and (y) in the case of clause (ii) above, notify the Corporation why, and in what regard, the Nominating Stockholder fails to comply with the eligibility requirements described in Section 3(c) (it being understood that providing any such notification referenced in clauses (x) and (y) above shall not be deemed to cure any defect or limit the Corporation's rights to omit a Nominee from its proxy materials as provided in this Section 3); and

(iv) An executed agreement by the Nominee:

(A) to provide to the Corporation a completed copy of the Corporation's director questionnaire and such other information as the Corporation may reasonably request;

(B) that the Nominee (i) consents to be named in the proxy materials as a nominee and, if elected, to serve on the Board of Directors and (ii) has read and agrees to adhere to the Corporation's Corporate Governance Guidelines and any other Corporation policies and guidelines applicable to directors generally; and

(C) that the Nominee is not and will not become a party to (1) any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director of the Corporation that has not been disclosed to the Corporation in writing, (2) any agreement, arrangement or understanding with any person or entity as to how the Nominee would vote or act on any

issue or question as a director (a “Voting Commitment”) that has not been disclosed to the Corporation in writing, or (3) any Voting Commitment that could limit or interfere with the Nominee’s ability to comply, if elected as a director of the Corporation, with its fiduciary duties under applicable law or with the Corporation’s Corporate Governance Guidelines and any other Corporation policies and guidelines applicable to directors generally.

The information and documents required by this Section 3(d) shall be: (x) provided with respect to and executed by each group member, in the case of information applicable to group members; and (y) provided with respect to the persons specified in Instruction 1 to Items 6(c) and (d) of Schedule 14N (or any successor item) if and to the extent applicable to a Nominating Stockholder or group member. The Proxy Access Notice shall be deemed submitted on the date on which all the information and documents referred to in this Section 3(d) (other than such information and documents contemplated to be provided after the date the Proxy Access Notice is provided) have been delivered to or, if sent by mail, received by the Secretary of the Corporation. For the avoidance of doubt, in no event shall any adjournment or postponement of an annual meeting of stockholders or the public announcement thereof commence a new time period for the giving of a Proxy Access Notice pursuant to this Section 3.

(e) Conditional Resignation of Nominee.

Any Nominee who is included in the Corporation’s proxy materials for election at an annual meeting of stockholders pursuant to this Section 3 shall, upon its election as a Director, deliver to the Corporation an executed, irrevocable resignation as a director of the Corporation, in a form to be provided to the Nominee by the Corporation, which resignation shall automatically be effective upon a determination by the Board of Directors or any committee thereof that (i) the information provided pursuant to this Section 3 to the Corporation by such Nominee or the Nominating Stockholder (or each member of any group of Eligible Stockholders comprising such Nominating Stockholder) was untrue in any material respect or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, or (ii) such Nominee or the Nominating Stockholder (or any member of any group of Eligible Stockholders comprising such Nominating Stockholder) shall have breached or failed to comply in any material respect with its agreements, representations or warranties pursuant to these Bylaws, including this Section 3.

(f) Exceptions and Clarifications.

(i) Notwithstanding anything to the contrary contained in this Section 3, (x) the Corporation may omit from its proxy materials any Nominee and any information concerning such Nominee (including a Nominating Stockholder's Supporting Statement), (y) any nomination shall be disregarded, and (z) no vote on such Nominee will occur (notwithstanding that proxies in respect of such vote may have been received by the Corporation), and the Nominating Stockholder may not, after the last day on which a Proxy Access Notice would be timely, cure in any way any defect preventing the nomination of the Nominee, if:

(A) the Corporation receives a notice pursuant to Section 2 of these Bylaws that a stockholder intends to nominate a candidate for director at the annual meeting of stockholders;

(B) the Nominating Stockholder or the designated lead group member, as applicable, or any qualified representative thereof, does not appear at the annual meeting of stockholders to present the nomination submitted pursuant to this Section 3 or the Nominating Stockholder withdraws its nomination prior to the annual meeting of stockholders;

(C) the Board of Directors determines that such Nominee's nomination or election to the Board of Directors would result in the Corporation violating or failing to be in compliance with the Certificate of Incorporation, these Bylaws or any applicable law, rule or regulation to which the Corporation is subject, including any rules or regulations of any stock exchange on which the Corporation's common stock is traded;

(D) the Nominee was nominated for election to the Board of Directors pursuant to this Section 3 at one of the Corporation's two (2) preceding annual meetings of stockholders and (i) its nomination was withdrawn, (ii) such Nominee became ineligible to serve as a Nominee or as a Director or (iii) such Nominee received a vote of less than twenty-five percent (25%) of the shares of common stock entitled to vote for such Nominee; or

(E) (i) the Nominating Stockholder fails to continue to satisfy the eligibility requirements described in Section 3(c), (ii) any of the representations and warranties made in the Proxy Access Notice cease to be true, complete and correct (or omits to state a material fact necessary to make the statements made therein not misleading), (iii) the Nominee becomes unwilling or unable to serve on the Board of Directors or (iv) the Nominating Stockholder or the Nominee materially violates or breaches any of its agreements, representations or warranties in this Section 3;

(ii) Notwithstanding anything to the contrary contained in this Section 3, the Corporation may omit from its proxy materials, or may supplement or correct, any information, including all or any portion of the Supporting Statement included in the Proxy Access Notice, if: (A) such information is not true and correct in all material respects or omits a material statement necessary to make the statements therein not misleading; (B) such information directly or indirectly impugns the character, integrity or personal reputation of,

or, without factual foundation, directly or indirectly makes charges concerning improper, illegal or immoral conduct or associations with respect to, any person; or (C) the inclusion of such information in the proxy materials would otherwise violate the Commission's proxy rules or any other applicable law, rule or regulation. Once submitted with a Proxy Access Notice, a Supporting Statement may not be amended, supplemented or modified by the Nominee or Nominating Stockholder.

(iii) For the avoidance of doubt, the Corporation may solicit against, and include in the proxy materials its own statement relating to, any Nominee.

(iv) This Section 3 provides the exclusive method for a stockholder to include nominees for election to the Board of Directors in the Corporation's proxy materials (including, without limitation, any proxy card or written ballot).

The interpretation of, and compliance with, any provision of this Section 3, including the representations, warranties and covenants contained herein, shall be determined by the Board of Directors or, in the discretion of the Board of Directors, one or more of its designees, in each case acting in good faith.

Section 4. Additional Requirements For Valid Nomination of Candidates to Serve as Director and, If Elected, to be Seated as Directors.

(a) To be eligible to be a candidate for election as a director of the Corporation at an annual or special meeting, a candidate must be nominated in the manner prescribed in Section 2 or Section 3 and the candidate for nomination, whether nominated by the Board of Directors or by a stockholder of record, must have previously delivered (in accordance with the time period prescribed for delivery in a notice to such candidate given by or on behalf of the Board of Directors), to the Secretary at the principal executive offices of the Corporation, (i) a completed written questionnaire (in a form provided by the Corporation) with respect to the background, qualifications, stock ownership and independence of such proposed nominee and (ii) a written representation and agreement (in a form provided by the Corporation) that such candidate for nomination (A) is not and, if elected as a director during his or her term of office, will not become a party to (1) any agreement, arrangement or understanding with, and has not given and will not give any commitment or assurance to, any person or entity as to how such proposed nominee, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") or (2) any Voting Commitment that could limit or interfere with such proposed nominee's ability to comply, if elected as a director of the Corporation, with such proposed nominee's fiduciary duties under applicable law, (B) is not, and will not become a party to, any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation or reimbursement for service as a director that has not been disclosed therein or to the Corporation and (C) if elected as a director of the Corporation, will comply with all applicable corporate governance, conflict of interest, confidentiality, stock ownership and trading and other policies and guidelines of the Corporation applicable to directors and in effect during such person's term in office as a director (and, if requested by any candidate for nomination, the Secretary of the Corporation shall provide to such candidate for nomination all such policies and guidelines then in effect).

(b) The Board of Directors may also require any proposed candidate for nomination as a Director to furnish such other information as may reasonably be requested by the Board of Directors in writing prior to the meeting of stockholders at which such candidate's nomination is to be acted upon in order for the Board of Directors to determine the eligibility of such candidate for nomination to be an independent director of the Corporation in accordance with the Corporation's Corporate Governance Guidelines.

(c) A candidate for nomination as a director shall further update and supplement the materials delivered pursuant to this Section 4, if necessary, so that the information provided or required to be provided pursuant to this Section 4 shall be true and correct as of the record date for stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation (or any other office specified by the Corporation in any public announcement) not later than five (5) business days after the record date for stockholders entitled to vote at the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

(d) No candidate shall be eligible for nomination as a director of the Corporation unless such candidate for nomination and the Nominating Person seeking to place such candidate's name in nomination has complied with Section 2 or Section 3 and this Section 4, as applicable. The presiding officer at the meeting shall, if the facts warrant, determine that a nomination was not properly made in accordance with Section 2 or Section 3 and this Section 4, and if he or she should so determine, he or she shall so declare such determination to the meeting, the defective nomination shall be disregarded and any ballots cast for the candidate in question (but in the case of any form of ballot listing other qualified nominees, only the ballots cast for the nominee in question) shall be void and of no force or effect.

(e) Notwithstanding anything in these Bylaws to the contrary, no candidate for nomination shall be eligible to be seated as a director of the Corporation unless nominated and elected in accordance with Section 2 or Section 3 and this Section 4.

Section 5. Special Meetings.

(a) Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute, by the Articles of Incorporation or by these Bylaws, may be called by the Chairman of the Board, the Board of Directors or the Chief Executive Officer, and shall be called by the Chief Executive Officer or Secretary at the request in writing of stockholders of record owning not less than seventy-five percent (75%) of the entire capital stock of the Corporation issued and outstanding and entitled to vote, and shall not otherwise be called except as provided in Section 5(b). A request to the Secretary to be proper shall be signed by each stockholder of record, or a duly authorized agent of such stockholder, requesting the special meeting and must set forth a brief description of each matter of business (other than director

nominations by such stockholder, which are governed by Section 5(c)) desired to be brought before the special meeting and the reasons for conducting such business at the special meeting and the information required pursuant to Sections 2(c), in the case of business other than the election of directors, or 2(e), in the case of the election of directors. The Board of Directors may adopt a resolution fixing a record date for the purpose of determining the stockholders entitled to demand that the Secretary call a special meeting. A special meeting requested by such stockholders shall be held at such date, time and place as the Board of Directors shall determine; *provided, however*, that the date of any such special meeting shall be not more than ninety (90) days after the request to call the special meeting is received by the Secretary. Notwithstanding the foregoing, a special meeting requested by the stockholders of record shall not be held if the Board of Directors has called or calls for an annual meeting of stockholders to be held within ninety (90) days after the Secretary receives the request for the special meeting and the Board of Directors determines in good faith that the business of such annual meeting includes (among any other matters brought properly before the annual meeting) business specified in the request. A stockholder of record may revoke a request for a special meeting at any time by written revocation delivered to the Secretary, and if, following such revocation, there are unrevoked requests from stockholders of record holding in the aggregate less than the requisite number of shares entitling the stockholders of record to request the calling of a special meeting, the Board of Directors, in its discretion, may cancel the special meeting. Business transacted at a special meeting requested by stockholders of record shall be limited to the matters described in the special meeting request; *provided, however* that nothing herein shall prohibit the Board of Directors from submitting matters to such stockholders at any special meeting requested by such stockholders.

(b) In the event the Corporation shall have failed to hold its annual meeting of stockholders for a period of eighteen (18) months from the last preceding annual meeting at which directors were elected or if such annual meeting shall have been held but directors shall not have been elected at such annual meeting, a special meeting of the stockholders shall be called by the Chief Executive Officer or Secretary at the request in writing of a majority of the Board of Directors or at the request in writing of stockholders of record owning a majority in amount of the entire capital stock of the Corporation issued and outstanding and entitled to vote. Such request from stockholders shall be directed to the Chairman of the Board, the Chief Executive Officer or the Secretary.

(c) In the event a special meeting is called for the purpose of electing one (1) or more directors to the Board of Directors, any stockholder of record entitled to vote in the election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the notice for such meeting, if such stockholder's notice required by Section 2(e) shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to the special meeting nor later than the close of business on the later of: (i) the ninetieth (90th) day prior to the special meeting or (ii) the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement (as defined in Section 2(b) of this Article II) of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder of record's notice as described above.

(d) Only such business will be considered at a special meeting of stockholders as will have been stated in the notice for such meeting.

Section 6. Record Date for Meetings of Stockholders. The Board of Directors may fix, in advance, a record date not more than sixty (60) or less than ten (10) days before the date of any meeting of the stockholders as the date as of which stockholders entitled to notice of and to vote at such meeting shall be determined. Only stockholders of record on that date shall be entitled to notice or to vote at such meeting. If a record date is not fixed, the record date is at the close of business on the day before the day on which the first notice is given or, if notice is waived, at the close of business on the day before the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting. The Board of Directors shall fix a new record date if the meeting is adjourned to a date more than sixty (60) days later than the date set for the original meeting.

Section 7. Notices of Meetings. Notices of meetings of the stockholders shall be in writing and signed by the Chief Executive Officer or Secretary, or by such other person or persons as the directors shall designate. Such notice shall state the purpose or purposes for which the meeting is called and the time when, and the place where, it is to be held, and the means of electronic communications, if any, by which stockholders and proxies shall be deemed to be present in person and vote. A copy of such notice shall be delivered personally, mailed postage prepaid, or given by a form of electronic transmission permitted for such purpose by applicable law and the rules and regulations of the Commission and each national securities exchange upon which the Corporation's voting stock is then listed, to each stockholder of record entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before such meeting. If mailed, it shall be directed to the stockholder at his or her address as it appears upon the records of the Corporation and upon such mailing of any such notice, the service thereof shall be complete, and the time of the notice shall begin to run from the date upon which such notice is deposited in the mail for transmission to such stockholder. If no such address appears on the books of the Corporation and a stockholder has given no address for the purpose of notice, then notice shall be deemed to have been given to such stockholder if it is published at least once in a newspaper of general circulation in the county in which the principal executive office of the Corporation is located. An affidavit of the mailing or publication of any such notice shall be *prima facie* evidence of the giving of such notice.

Personal delivery of any such notice to any officer of a corporation or association, to any member of a limited liability company managed by its members, to any manager of a limited liability company managed by its managers, to any general partner of a partnership or to any trustee of a trust shall constitute delivery of such notice to such corporation, association limited liability company, partnership or trust. If any notice addressed to the stockholder at the address of such stockholder appearing on the books of the Corporation is returned to the Corporation by the United States Postal Service marked to indicate that it is unable to deliver the notice to the stockholder at such address, all future notices shall be deemed to have been duly given to such stockholder, without further mailing, if the same shall be available for the stockholder upon written demand of the stockholder at the principal executive office of the Corporation for a period of one (1) year from the date of the giving of the notice to all other stockholders.

Section 8. Quorum. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business, except as otherwise provided by the Nevada Revised Statutes or by the Articles of Incorporation. Regardless of whether or not a quorum is present or represented at any annual or special meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present in person or represented by proxy, provided that when any stockholders' meeting is adjourned for more than forty-five (45) days, or if a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At such adjourned meeting at which a quorum shall be present or represented by proxy, any business may be transacted which might have been transacted at the meeting as originally noticed.

Section 9. Vote Required. When a quorum is present or represented at any meeting, the holders of a majority of the stock present in person or represented by proxy and voting shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the Nevada Revised Statutes, the Articles of Incorporation or these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question. The stockholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 10. Election of Directors. The Corporation's Articles of Incorporation set forth voting standards applicable in the election of directors at each meeting of stockholders to elect directors.

Section 11. Conduct of Meetings. Subject to the requirements of the Nevada Revised Statutes, and the express provisions of the Articles of Incorporation and these Bylaws, all annual and special meetings of stockholders shall be conducted in accordance with such rules and procedures as the Board of Directors may determine and, as to matters not governed by such rules and procedures, as the chairman of such meeting shall determine. The chairman of any annual or special meeting of stockholders shall be designated by the Board of Directors and, in the absence of any such designation, shall be the Chief Executive Officer of the Corporation.

Section 12. Proxies. At any meeting of the stockholders, any stockholder may be represented and vote by a proxy or proxies appointed by an instrument in writing. In the event that such instrument in writing shall designate two (2) or more persons to act as proxies, a majority of such persons present at the meeting, or, if only one shall be present, then that one shall have and may exercise all of the powers conferred by such written instrument upon all of the persons so designated unless the instrument shall otherwise provide. No such proxy shall be valid after the expiration of six (6) months from the date of its execution, unless coupled with an interest, or unless the person executing it specifies therein the length of time for which it is to continue in force, which in no case shall exceed seven (7) years from the date of its execution. Subject to the above, any proxy duly executed is not revoked and continues in full force and effect until (i) an instrument revoking it or duly executed proxy bearing a later date is filed with the Secretary of the Corporation or, (ii) the person executing the proxy attends such meeting and votes the shares subject to the proxy, or (iii) written notice of the death or incapacity of the maker of such proxy is received by the Corporation before the vote pursuant thereto is counted.

Section 13. Action by Written Consent. Any action, except election of directors, which may be taken by a vote of the stockholders at a meeting, may be taken without a meeting and without notice if authorized by the written consent of stockholders holding at least ninety percent (90%) of the voting power. The Board of Directors may adopt a resolution prescribing a date upon which the stockholders of record entitled to give written consent shall be determined. The date prescribed by the Board of Directors shall not precede or be more than ten (10) days after the date the resolution is adopted by the Board of Directors. If the Board of Directors does not adopt a resolution prescribing a date upon which the stockholders of record entitled to give written consent shall be determined and:

(a) No prior action by the Board of Directors is required by the Nevada Revised Statutes, the date is the first date on which a valid, written consent is delivered in accordance with the statutes of Nevada.

(b) Prior action by the Board of Directors is required by the Nevada Revised Statutes, the date is at the close of business on the day the Board of Directors adopts the resolution authorizing such action.

Section 14. Inspectors of Election. In advance of any meeting of stockholders, the Board of Directors may appoint inspectors of election to act at such meeting and any adjournment thereof. If inspectors of election are not so appointed, or if any persons so appointed fail to appear or refuse to act, then, unless other persons are appointed by the Board of Directors prior to the meeting, the chairman of any such meeting may, and on the request of any stockholder or a stockholder proxy shall, appoint inspectors of election (or persons to replace those who fail to appear or refuse to act) at the meeting. The number of inspectors shall not exceed three (3).

The duties of such inspectors shall include: (a) determining the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies; (b) receiving votes, ballots or consents; (c) hearing and determining all challenges and questions in any way arising in connection with the right to vote; (d) counting and tabulating all votes or consents and determining the result; and (e) taking such other action as may be proper to conduct the election or vote with fairness to all stockholders. In the determination of the validity and effect of proxies, the dates contained on the forms of proxy shall presumptively determine the order of execution of the proxies, regardless of the postmark dates on the envelopes in which they are mailed. The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three (3) inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

ARTICLE III

DIRECTORS

Section 1. Number of Directors. The exact number of directors that shall constitute the authorized number of members of the Board, all of whom shall be at least eighteen (18) years of age, shall be set by the Board from time to time by resolution of the directors of the Corporation, provided the authorized number of directors may be increased to not more than fifteen (15) or decreased to not less than three (3). Except as provided in Section 2 of this Article III, each director elected shall hold office until his or her successor is elected and qualified. Directors need not be stockholders.

Section 2. Vacancies. Vacancies, including those caused by (i) the death, removal, or resignation of directors, (ii) the failure of stockholders to elect directors at any annual meeting, and (iii) an increase in the number of directors, may be filled by a majority of the remaining directors though less than a quorum. When one or more directors shall give notice of resignation to the Board, effective at a future date, the acceptance of such resignation shall not be necessary to make it effective; *provided, however*, a resignation by a director pursuant to a director resignation policy set forth from time to time in the Corporation's Corporate Governance Guidelines shall not be effective until accepted by the Board. The Board shall have the power to cause such vacancy or vacancies to be filled when such resignation or resignations shall become effective, and each director so appointed shall hold office during the remainder of the term of office of the resigning director and until his or her successor is elected and qualified or until his or her earlier death, removal or resignation. The directors of the Corporation may be removed from office by the vote of stockholders representing not less than two-thirds (2/3) of the voting power of the issued and outstanding stock entitled to vote.

Section 3. Authority. The business of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors.

Section 4. Meetings. The Board of Directors may hold meetings, both regular and special, at such place, either within or without the State of Nevada, which has been designated by resolution of the Board of Directors.

Section 5. First Meeting. The first meeting of the newly elected Board of Directors shall be held immediately following the annual meeting of the stockholders and no notice of such meeting to the newly elected directors shall be necessary in order legally to constitute a meeting, provided a quorum shall be present.

Section 6. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by the Board.

Section 7. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, the Chief Executive Officer, or the Lead Independent Director and shall be called by the Chief Executive Officer or Secretary at the written request of at least a majority of the current directors. Notice of the time and place of special meetings shall be given within thirty (30) days to each director (a) personally or by telephone, telegraph, facsimile or

electronic means, in each case at least twenty four (24) hours prior to the holding of the meeting, or (b) by mail, charges prepaid, addressed to such director at his or her address as it is shown upon the records of the Corporation (or, if it is not so shown on such records and is not readily ascertainable, at the place at which the meetings of the directors are regularly held) at least three (3) days prior to the holding of the meeting. Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mails, postage prepaid. Any other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means, to the recipient. Oral notice shall be deemed to have been given at the time it is communicated, in person or by telephone or wireless, to the recipient or to a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the recipient. Any notice, waiver of notice or consent to holding a meeting shall state the time, date and place of the meeting but need not specify the purpose of the meeting.

Section 8. Quorum. Presence in person of a majority of the Board of Directors, at a meeting duly assembled, shall be necessary to constitute a quorum for the transaction of business and the act of a majority of the directors present and voting at any meeting, at which a quorum is then present, shall be the act of the Board of Directors, except as may be otherwise specifically provided by the Nevada Revised Statutes or by the Articles of Incorporation. A meeting at which a quorum is initially present shall not continue to transact business in the absence of a quorum.

Section 9. Action by Written Consent. Unless otherwise restricted by the Articles of Incorporation or by these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if a written consent thereto is signed by all members of the Board. Such written consent shall be filed with the minutes of proceedings of the Board of Directors.

Section 10. Telephonic Meetings. Unless otherwise restricted by the Articles of Incorporation or these Bylaws, members of the Board of Directors or of any committee designated by the Board of Directors may participate in a meeting of the Board or committee by means of a telephone conference or similar methods of communications by which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to the preceding sentence constitutes presence in person at such meeting.

Section 11. Adjournment. A majority of the directors present at any meeting, whether or not a quorum is present, may adjourn any directors' meeting to another time, date and place. If any meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time, date and place shall be given, prior to the time of the adjourned meeting, to the directors who were not present at the time of adjournment. If any meeting is adjourned for less than twenty-four (24) hours, notice of any adjournment shall be given to absent directors, prior to the time of the adjourned meeting, unless the time, date and place is fixed at the meeting adjourned.

Section 12. Committees. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees of the Board of Directors. Such committee or committees shall have such name or names, shall have such duties and shall exercise such powers as may be determined from time to time by the Board of Directors.

Section 13. Committee Minutes. The committees shall keep regular minutes of their proceedings and report the same to the Board of Directors.

Section 14. Compensation of Directors. The directors shall receive such compensation for their services as directors, and such additional compensation for their services as members of any committees of the Board of Directors, as may be authorized by the Board of Directors.

Section 15. Mandatory Retirement of Directors. A director of the Corporation shall not serve beyond, and shall automatically retire at, the close of the first annual meeting of stockholders held after the director shall become age seventy-two (72); *provided, however,* that if the Board of Directors shall determine that it is in the best interests of the Corporation and its stockholders for a person to continue to serve as a director of the Corporation until the close of any annual meeting after the annual meeting upon which this Section 15 would otherwise require such person to retire, then such person shall not be so required to retire until the close of such later annual meeting.

ARTICLE IV

OFFICERS

Section 1. Principal Officers. The officers of the Corporation shall be elected by the Board of Directors and shall be a Chief Executive Officer, a President, a Secretary and a Treasurer. A resident agent for the Corporation in the State of Nevada shall be designated by the Board of Directors. Any person may hold two (2) or more offices.

Section 2. Other Officers. The Board of Directors may also elect one (1) or more Vice Presidents, Assistant Secretaries and Assistant Treasurers, and such other officers and agents, as it shall deem necessary.

Section 3. Qualification and Removal. The officers of the Corporation mentioned in Section 1 of this Article IV shall hold office until their successors are elected and qualify. Any such officer and any other officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors.

Section 4. Resignation. Any officer may resign at any time by giving written notice to the Corporation, without prejudice, however, to the rights, if any, of the Corporation under any contract to which such officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Powers and Duties; Execution of Contracts. Officers of the Corporation shall have such powers and duties as may be determined by the Board of Directors. Unless otherwise specified by the Board of Directors, the President shall be the Chief Executive Officer of the Corporation. Contracts and other instruments in the normal course of business may be executed on behalf of the Corporation by the Chief Executive Officer, the President or any Vice President of the Corporation, or any other person authorized by resolution of the Board of Directors.

ARTICLE V

STOCK AND STOCKHOLDERS

Section 1. Issuance. Every stockholder shall be issued a certificate representing the number of shares owned by such stockholder in the Corporation. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the certificate shall contain a statement setting forth the office or agency of the Corporation from which stockholders may obtain a copy of a statement or summary of the designations, preferences and relative or other special rights of the various classes of stock or series thereof and the qualifications, limitations or restrictions of such rights. The Corporation shall furnish to its stockholders, upon request and without charge, a copy of such statement or summary.

Section 2. Facsimile Signatures. Whenever any certificate is countersigned or otherwise authenticated by a transfer agent or transfer clerk, and by a registrar, then a facsimile of the signatures of the officers of the Corporation may be printed or lithographed upon such certificate in lieu of the actual signatures. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the Corporation, before such certificates shall have been delivered by the Corporation, such certificates may nevertheless be issued as though the person or persons who signed such certificates, had not ceased to be an officer of the Corporation.

Section 3. Lost Certificates. The Board of Directors may direct a new stock certificate to be issued in place of any certificate alleged to have been lost or destroyed, and may require the making of an affidavit of that fact by the person claiming the stock certificate to be lost or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent, require the owner of the lost or destroyed certificate to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost or destroyed.

Section 4. Transfer of Stock. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed for transfer, it shall be the duty of the Corporation to issue a new certificate, cancel the old certificate and record the transaction upon its books.

Section 5. Uncertificated Shares. Notwithstanding Sections 1-4 of this Article V, the Board of Directors, pursuant to applicable law and the rules and regulations of the Commission and each national securities exchange upon which the Corporation's stock is then listed (collectively, the "Applicable Regulations"), may authorize the issuance of uncertificated shares of some or all of the shares of any or all of the Corporation's classes or series of stock. Any such issuance shall have such effect upon existing certificates for shares, and upon the Corporation's obligations with respect thereto, as may be prescribed by the Applicable Regulations, notwithstanding anything to the contrary in Sections 1-4 of this Article V.

Section 6. Registered Stock. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the Nevada Revised Statutes.

Section 7. Dividends. In the event a dividend is declared, the stock transfer books will not be closed, but a record date will be fixed by the Board of Directors and only stockholders of record on that date shall be entitled to the dividend.

ARTICLE VI

INDEMNIFICATION

Section 1. Indemnity of Directors, Officers and Agents. The Corporation shall indemnify and hold harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was or has agreed to become a director or officer of the Corporation or is serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise or by reason of actions alleged to have been taken or omitted in such capacity or in any other capacity while serving as a director or officer. The indemnification of directors and officers by the Corporation shall be to the fullest extent authorized or permitted by applicable law, as such law exists or may hereafter be amended (but only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior to the amendment). The indemnification of directors and officers shall be against all loss, liability and expense (including attorney's fees, costs, damages, judgments, fines, amounts paid in settlement and ERISA excise taxes or penalties) actually and reasonably incurred by or on behalf of a director or officer in connection with such action, suit or proceeding, including any appeals; *provided, however*, that with respect to any action, suit or proceeding initiated by a director or officer, the Corporation shall indemnify such director or officer only if the action, suit or proceeding was authorized by the Board of Directors of the Corporation, except with respect to a suit for the enforcement of rights to indemnification or advancement of expenses in accordance with Section 3 of this Article VI.

Section 2. Expenses. The expenses of directors and officers incurred as a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative shall be paid by the Corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding; *provided, however*, that if applicable law so requires, the advance payment of expenses shall be made only upon receipt by the Corporation of an undertaking by or on behalf of the director or officer to repay all amounts as advanced in the event that it is ultimately determined by a final decision, order or decree of a court of competent jurisdiction that the director or officer is not entitled to be indemnified for such expenses under this Article VI.

Section 3. Enforcement. Any director or officer may enforce his or her rights to indemnification or advance payments for expenses in a suit brought against the Corporation if his or her request for indemnification or advance payments for expenses is wholly or partially refused by the Corporation or if there is no determination with respect to such request within sixty (60) days from receipt by the Corporation of a written notice from the director or officer for such a determination. If a director or officer is successful in establishing in a suit his or her entitlement to receive or recover an advancement of expenses or a right to indemnification, in whole or in part, he or she shall also be indemnified by the Corporation for costs and expenses incurred in such suit. It shall be a defense to any such suit (other than a suit brought to enforce a claim for the advancement of expenses under Section 2 of this Article VI where the required undertaking, if any, has been received by the Corporation) that the claimant has not met the standard of conduct set forth in the Nevada Revised Statutes. Neither the failure of the Corporation to have made a determination prior to the commencement of such suit that indemnification of the director or officer is proper in the circumstances because the director or officer has met the applicable standard of conduct nor a determination by the Corporation that the director or officer has not met such applicable standard of conduct shall be a defense to the suit or create a presumption that the director or officer has not met the applicable standard of conduct. In a suit brought by a director or officer to enforce a right under this Section 3 or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that a director or officer is not entitled to be indemnified or is not entitled to an advancement of expenses under this Section 3 or otherwise, shall be on the Corporation.

Section 4. Non-exclusivity. The right to indemnification and to the payment of expenses as they are incurred and in advance of the final disposition of the action, suit or proceeding shall not be exclusive of any other right to which a person may be entitled under the Articles of Incorporation, these Bylaws or any agreement, statute, vote of stockholders or disinterested directors or otherwise. The right to indemnification under Section 1 of this Article VI shall continue for a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, next of kin, executors, administrators and legal representatives.

Section 5. Settlement. The Corporation shall not be obligated to reimburse the amount of any settlement unless it has agreed to such settlement. If any person shall unreasonably fail to enter into a settlement of any action, suit or proceeding within the scope of Section 1 of this Article VI, offered or assented to by the opposing party or parties and which is acceptable to the Corporation, then, notwithstanding any other provision of this Article VI, the indemnification obligation of the Corporation in connection with such action, suit or proceeding shall be limited to the total of the amount at which settlement could have been made and the expenses incurred by such person prior to the time the settlement could reasonably have been effected.

Section 6. Purchase of Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article VI.

Section 7. Conditions. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation or to any director, officer, employee or agent of any of its subsidiaries to the fullest extent of the provisions of this Article VI, subject to the imposition of any conditions or limitations as the Board of Directors may deem necessary or appropriate.

ARTICLE VII

GENERAL PROVISIONS

Section 1. Exercise of Rights. All rights incident to any and all shares of another corporation or corporations standing in the name of the Corporation may be exercised by such officer, agent or proxyholder as the Board of Directors may designate. In the absence of such designation, such rights may be exercised by the Chairman of the Board or any officer of the Corporation, or by any other person authorized to do so by the Chairman of the Board or any officer of the Corporation. Except as provided below, shares of the Corporation owned by any subsidiary of the Corporation shall not be entitled to vote on any matter. Shares of the Corporation held by the Corporation in a fiduciary capacity and shares of the Corporation held in a fiduciary capacity by any subsidiary of the Corporation, shall not be entitled to vote on any matter, except to the extent that the settler or beneficial owner possesses and exercises a right to vote or to give the Corporation or such subsidiary binding instructions as to how to vote such shares.

Solely for purposes of Section 1 of this Article VII, a “subsidiary” of the Corporation shall mean a corporation, shares of which possessing more than fifty percent (50%) of the power to vote for the election of directors at the time determination of such voting power is made, are owned directly, or indirectly through one or more subsidiaries, by the Corporation.

Section 2. Interpretation. Unless the context of a Section of these Bylaws otherwise requires, the terms used in these Bylaws shall have the meanings provided in, and these Bylaws shall be construed in accordance with, the Nevada statutes relating to private corporations, as found in Chapter 78 of the Nevada Revised Statutes or any subsequent statute.

Section 3. Provisions contrary to Provisions of Law. Any article, section, subsections, subdivision, sentence, clause, or phrase of these Bylaws which, upon being construed in the manner provided in Section 2 of this Article VII, is contrary or inconsistent with any applicable provisions of law, will not apply so long as such provisions of law remain in effect, but such result will not affect the validity or applicability of any other portions of these Bylaws, it being hereby declared that these Bylaws would have been adopted and each article, section, subsection, subdivision, sentence, clause, or phrase thereof, irrespective of the fact that any one or more articles, sections, subsections, subdivisions, sentences, clauses, or phrase is or are illegal.

ARTICLE VIII

AMENDMENTS

Section 1. Stockholder Amendments. Bylaws may be adopted, amended or repealed by the affirmative vote of not less than a majority of the outstanding shares of the Corporation entitled to vote.

Section 2. *Amendments by Board of Directors.* Subject to the right of stockholders as provided in Section 1 of this Article VIII, Bylaws may be adopted, amended or repealed by the Board of Directors.

ARTICLE IX

“ACQUISITION OF CONTROLLING INTEREST” PROVISIONS OF THE NEVADA REVISED STATUTES SHALL NOT APPLY

The provisions of Section 78.378 to 78.3793, inclusive, of the Nevada Revised Statutes shall not apply to the Corporation.

Preliminary and Subject to Completion, dated April 11, 2018

INFORMATION STATEMENT



13600 EDS Drive
Herndon, VA 20171

Common Stock
(par value \$0.01)

We are providing you this Information Statement in connection with the spin-off by DXC Technology Company (“DXC”) of its U.S. public sector (“USPS”) business and the combination of USPS with Vencore Holding Corp. and KGS Holding Corp. (the “Mergers”).

To effect the spin-off, DXC will distribute all of the shares of Perspecta Inc. (“Perspecta”), common stock on a pro rata basis to the record holders of DXC common stock (the “Distribution”).

Prior to the Distribution, Perspecta will pay to DXC a cash distribution and/or will distribute debt securities of Perspecta to DXC in an aggregate amount of \$984 million, which reflects the transaction consideration of \$1,050 million less the expected \$66 million in principal amount of debt that will remain outstanding at a subsidiary of Perspecta. Perspecta currently expects to make such payment through a cash distribution financed through borrowings under a new senior secured term loan facility. In addition, a subsidiary of Perspecta will retain contractual capitalized lease obligations with an aggregate outstanding balance up to \$300 million, net of cash payments from DXC.

Pursuant to the Agreement and Plan of Merger dated as of October 11, 2017, following the Mergers, Vencore Holding Corp. and KGS Holding Corp., current portfolio companies of Veritas Capital, will become wholly owned subsidiaries of Perspecta, subject to the terms and conditions in the Agreement and Plan of Merger. Affiliates of Veritas Capital will receive \$400 million in cash and approximately 14% of the total number of shares of Perspecta common stock outstanding immediately after the Mergers (on a fully diluted basis, excluding certain unvested equity incentive awards).

If you are a record holder of DXC common stock as of the close of business on _____, 2018, which is the record date for the Distribution, you will be entitled to receive one share of Perspecta common stock for every two shares of DXC common stock you hold on that date. DXC will distribute the shares of Perspecta common stock in book-entry form, which means that we will not issue physical stock certificates. As discussed under “The Transactions—Trading Prior to the Distribution Date,” if you sell your DXC common stock in the “regular-way” market after the record date and before the Distribution, you also will be selling your right to receive shares of Perspecta common stock in connection with the Distribution.

It is intended that the Distribution will be tax-free to DXC stockholders (except for any gain or loss attributable to the receipt of cash in lieu of fractional shares of Perspecta common stock) for U.S. federal income tax purposes. The Distribution will be effective by 11:59 p.m., New York City time, on _____, 2018. Immediately after the Distribution, Perspecta will be an independent company.

DXC’s stockholders are not required to vote on or take any other action in connection with the spin-off. We are not asking you for a proxy, and request that you do not send us a proxy. DXC stockholders will not be required to pay or otherwise provide any consideration for the shares of Perspecta common stock they receive in the spin-off, and they will not be required to surrender or exchange their shares of DXC common stock or take any other action in connection with the spin-off.

DXC currently owns all of the outstanding shares of Perspecta common stock. Accordingly, no trading market for Perspecta common stock currently exists. We expect, however, that a limited trading market for Perspecta common stock, commonly known as a “when-issued” trading market, will develop on or shortly before the record date for the Distribution, and we expect “regular-way” trading of Perspecta common stock will begin on the first trading day after the Distribution Date. We intend to list Perspecta common stock on The New York Stock Exchange under the symbol “PRSP.”

You should carefully consider the matters described in the section titled “Risk Factors” beginning on page 36 of this Information Statement for a discussion of factors that should be considered by recipients of Perspecta common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this Information Statement is truthful or complete. Any representation to the contrary is a criminal offense.

This Information Statement is not an offer to sell, or a solicitation of an offer to buy, any securities.

DXC first mailed this Information Statement to its stockholders on or about _____, 2018.

The date of this Information Statement is _____, 2018.

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DEFINED TERMS

ACS	Applied Communication Sciences
Antitrust Division	Antitrust Division of the Department of Justice
ASC	Accounting Standards Codification
AWS	Amazon Web Services
CD&A	Compensation Discussion and Analysis
CDCR	California Department of Corrections and Rehabilitation
CHRO	Chief Human Resources Officer
CMS	Centers for Medicare and Medicaid Services
CSC	Computer Sciences Corporation
DARPA	Defense Advanced Research Projects Agency
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DGCL	Delaware General Corporation Law
DHS	Department of Homeland Security
DISA	Defense Information Systems Agency
DoD	Department of Defense
DoJ	Department of Justice
DSO	Days Sales Outstanding
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EDS	Electronic Data Systems Company
ESP	Estimated Selling Price
ETR	Effective Tax Rate
Everett	Everett SpinCo, Inc.
FAA	Federal Aviation Administration
FAR	Federal Acquisition Regulation
FASB	Financial Accounting Standards Board
FCF	Free Cash Flow
FCPA	Foreign Corrupt Practices Act of 1977
FedRAMP	Federal Risk and Authorization Management Program
FFP	Firm-Fixed Price
FTC	Federal Trade Commission
GAAP	Generally Accepted Accounting Principles in the United States
GSA	General Services Administration
HPE	Hewlett Packard Enterprise Company
HSR Act	Hart-Scott-Rodino Antitrust Improvements Act of 1976
IARPA	Intelligence Advanced Research Projects Activity
ID/IQ	Indefinite Delivery/Indefinite Quantity
IoT	Internet of Things
IP	Intellectual Property
IRS	Internal Revenue Service
IT	Information Technology
ITO	Infrastructure Technology
LTI	Long-Term Incentive
NASA	National Aeronautics and Space Administration
NBIB	National Background Investigation Bureau
NGA	National Geospatial-Intelligence Agency
NIP	National Intelligence Program
NOAA	National Oceanic and Atmospheric Administration
NRO	National Reconnaissance Office
NSA	National Security Agency

NYSE	New York Stock Exchange
MIP	Military Intelligence Program
OFCCP	Office of Federal Contract Compliance Programs
OPEB	Other Post-Employment Benefits
PBGC	Pension Benefit Guaranty Corporation
PSUs	Performance-Vested Restricted Stock Units
PUMA	Probation Utility and Mobile Applications
QNA SSG	QinetiQ North America Services and Solutions Group
R&D	Research & Development
RSUs	Restricted Stock Units
SARs	Stock Appreciation Rights
SE&I	Systems Engineering and Integration
SEC	Securities and Exchange Commission
SETA	Systems Engineering and Technical Assistance
SOMS	Strategic Offender Management System
TPE	Third-Party Evidence
USCIS	U.S. Citizenship and Immigration Services
USCYBERCOM	U.S. Cyber Command
VIE	Variable Interest Entity
VSOE	Vendor Specific Objective Evidence

TRADEMARKS AND COPYRIGHTS

We own or have rights to various trademarks, logos, service marks and trade names that we use in connection with the operation of our business. We also own or have the rights to copyrights that protect the content of our products, including those which will be retained by DXC and governed by the Intellectual Property Matters Agreement. This Information Statement also refers to the trademarks, logos, service marks and trade names of other companies, including those of Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries. In addition, names, logos and website names and addresses are our, or such other companies', service marks or trademarks. Solely for convenience, the trademarks, service marks, trade names and copyrights referred to in this Information Statement are listed without the TM, ® 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 Information Statement.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, information contained in this Information Statement concerning our industry and the markets in which we operate is based on information from independent industry and research organizations, other third-party sources and management estimates. Management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from our internal research, and are based on assumptions made by us upon reviewing such data and our knowledge of such industry and markets, which we believe to be reasonable. Such data involve uncertainties and risk and are subject to change due to a variety of factors, including those described under “Risk Factors.”

NON-GAAP FINANCIAL INFORMATION

We have included certain supplemental financial measures in this Information Statement that are not recognized under generally accepted accounting principles in the United States (“GAAP”). These non-GAAP financial measures include earnings before interest, taxes, depreciation and amortization (“EBITDA”) and Adjusted EBITDA. For additional information on why we present these non-GAAP financial measures, the limitations associated with using these non-GAAP financial measures and a reconciliation of these non-GAAP financial measures to the most comparable GAAP measures, see “Summary Historical Combined Financial Data of USPS—Non-GAAP Measures—Adjusted EBITDA,” “Summary Pro Forma Condensed Combined Financial and Other Data of Perspecta—Non-GAAP Financial Measures,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations of USPS—Non-GAAP Financial Measures” and “Liquidity and Capital Resources Following the Transactions.”

BASIS OF PRESENTATION

Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries are, and for the presented periods have been, related businesses under common control by Veritas Capital. In addition, the acquisition of each of Vencore Holding Corp. and KGS Holding Corp. and their respective subsidiaries by Perspecta is conditioned on the acquisition by Perspecta of the other, as well as other common events, under the Merger Agreement. The businesses of Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries were historically operated independently as separate businesses under common control by Veritas Capital. Following the completion of the Spin-Off and the Mergers, we expect Perspecta management to run USPS, Vencore Holding Corp., KGS Holding Corp, and their respective subsidiaries, as one integrated business. Accordingly, all financial statements and financial information and all information with respect to the business and operations of Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries, including under “Summary Historical Combined Financial Data of Vencore,” “Selected Historical Combined Financial Data of Vencore,” “Business of Vencore” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Vencore” are presented on a combined basis for Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries. All references to “Vencore” are to Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries on a combined basis.

INTRODUCTION

On October 11, 2017, DXC announced plans to separate its USPS business from DXC and to combine the USPS business with Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries pursuant to an agreement and plan of merger dated October 11, 2017 (the “Merger Agreement”). Prior to DXC’s distribution of the shares of Perspecta common stock to DXC stockholders, DXC is undertaking a series of internal transactions, following which Perspecta will own the assets and liabilities of the USPS business. We refer to this series of internal transactions as the “Internal Reorganization,” which is described in more detail under “The Separation and Distribution Agreement and Ancillary Agreements.”

We refer to the Internal Reorganization and the Distribution collectively as the “Spin-Off.” We refer to the payment by Perspecta to DXC of a cash distribution, and/or the distribution by Perspecta of debt securities of Perspecta to DXC, in an aggregate amount of \$984 million, which reflects the transaction consideration of \$1,050 million less the expected principal amount of \$66 million of the EDS Notes (defined below) that will remain outstanding at a subsidiary of Perspecta following the Internal Reorganization, prior to the Distribution as the “Perspecta Payment.” Perspecta currently expects to make such payment through a cash distribution financed through borrowings under a new senior secured term loan facility. In the event that the actual EDS Notes outstanding is greater than \$66 million in principal amount, or if DXC agrees to receive other debt, then the cash portion of the Perspecta Payment will be reduced accordingly. In addition, Enterprise Services LLC (“Enterprise Services”), a subsidiary of Perspecta following the Internal Reorganization, will retain contractual capitalized lease obligations with an aggregate outstanding balance of up to \$300 million, net of cash payments from DXC, and it will also retain approximately \$66 million of indebtedness comprised of the outstanding principal amount of 7.45% senior notes due 2029 (the “EDS Notes”) expected to be outstanding at Enterprise Services.

In this Information Statement, unless otherwise noted or the context otherwise requires:

- “DXC” refers to DXC Technology Company and its consolidated subsidiaries other than, for all periods following the Spin-Off, Perspecta and its combined subsidiaries;
- “KeyPoint Merger Sub” refers to Ultra KMS Inc., a wholly owned subsidiary of Perspecta;
- “KeyPoint Stockholder” refers to KGS Holding LLC, the sole stockholder of KGS Holding Corp. prior to the Mergers;
- “USPS” refers to the U.S. Public Sector business of DXC and its combined subsidiaries after giving retroactive effect to Internal Reorganization;
- “Perspecta”, “we”, “our” and “us” refers to Perspecta and its combined subsidiaries, and including Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries, after giving effect to the Spin-Off and the Mergers for periods following the consummation of the Spin-Off and the Mergers;
- “Vencore Merger Corp” refers to Ultra First VMS Inc., a wholly owned subsidiary of Perspecta;
- “Vencore Merger LLC” refers to Ultra Second VMS LLC, a wholly owned subsidiary of Perspecta;
- “Vencore Stockholder” refers to The SI Organization Holdings LLC, the sole stockholder of Vencore Holding Corp. prior to the Mergers;
- “Veritas Capital Management” refers to Veritas Capital Fund Management, L.L.C.; and
- “Veritas Capital” refers to The Veritas Capital Fund III, L.P., The Veritas Capital Fund IV, L.P. and their affiliates, including Veritas Capital Management.

The Merger Agreement provides that, at closing, the following transactions will occur (in each case subject to the terms and conditions in the Merger Agreement):

- (1) KeyPoint Merger Sub will merge with and into KGS Holding Corp. (the “KeyPoint Merger”), with KGS Holding Corp. surviving the KeyPoint Merger;

- (2) concurrently, Vencore Merger Corp will merge with and into Vencore Holding Corp. (the “First Vencore Merger”), with Vencore Holding Corp. surviving the First Vencore Merger, and
- (3) immediately after the KeyPoint Merger and First Vencore Merger, Vencore Holding Corp. will merge with and into Vencore Merger LLC (the “Second Vencore Merger”), with Vencore Merger LLC surviving the Second Vencore Merger.

The KeyPoint Merger, First Vencore Merger and Second Vencore Merger together are referred to as the “Mergers.” As a result of the Mergers, Vencore and KGS Holding Corp. will become wholly owned subsidiaries of Perspecta.

Pursuant to and subject to the conditions in the Merger Agreement, the Mergers will occur following the consummation by DXC of the Internal Reorganization, the Distribution and the payment of the Perspecta Payment.

The consummation of the Mergers is subject to, among other conditions:

- the completion of the Spin-Off and payment of the Perspecta Payment;
- the expiration of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the “HSR Act”);
- the effectiveness of the registration statement of which this Information Statement forms a part in connection with the Distribution and the approval for listing on the New York Stock Exchange (“NYSE”) or the NASDAQ Global Market (“NASDAQ”) of Perspecta common stock;
- receipt of an opinion from DXC’s tax counsel regarding the qualification of the Spin-Off as tax-free for U.S. federal income tax purposes;
- the accuracy of the parties’ representations and warranties and the performance of their respective covenants contained in the Merger Agreement; and
- certain other customary conditions.

The Merger Agreement contains customary representations, warranties and covenants, including a requirement to use commercially reasonable efforts to consummate the Spin-Off, the Perspecta Payment and the Mergers prior to October 1, 2018.

SUMMARY

This summary highlights certain significant aspects of our business and is a summary of information contained elsewhere in this Information Statement. This summary is not complete and you should carefully read this entire Information Statement, including the information presented under the sections titled “Risk Factors,” “Cautionary Statement Regarding Forward-Looking Statements,” “Unaudited Pro Forma Condensed Combined Financial Statements of Perspecta,” “Selected Historical Combined Financial Data of USPS,” “Selected Historical Combined Financial Data of Vencore,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations of USPS,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Vencore,” and the combined financial statements and the related notes thereto included elsewhere in this Information Statement. This summary contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from results contemplated in the forward-looking statements as a result of various factors such as those set forth in the sections titled “Risk Factors” and “Cautionary Statement Regarding Forward-Looking Statements.” When making an investment decision, you should also read the discussion under “Basis of Presentation,” “Defined Terms” and “Introduction” for the definition of some of the terms used in this Information Statement and other matters described in this Information Statement. As used in this Information Statement, references to “pro forma” or “on a pro forma basis” mean giving pro forma effect to the Spin-Off and Mergers as described in “Unaudited Pro Forma Condensed Combined Financial Statements of Perspecta” and references to “Vencore” are to Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries on a combined basis.

Overview

After completing the Spin-Off and the Mergers, Perspecta will be a mission-enabled, end-to-end information technology (“IT”) services and mission solutions provider to government customers at the U.S. federal, state and local level. We will provide highly differentiated, innovative offerings and expertise while operating at the core of our customers’ missions, with a deep understanding of their systems and objectives to solve their toughest national security and information-related challenges. The complementary capabilities derived from USPS and Vencore will combine to create a compelling industry platform at scale, leveraging a strong track record of performance and innovation, and access to a diverse and highly skilled employee base. With minimal revenue overlap across USPS and Vencore, and a well-diversified customer base, we believe we will be an innovative leader in the public sector with greater capabilities to address our clients’ evolving needs, including the shift to digital across our customers’ mission enterprises.

The combination of Perspecta with Vencore will create a leading U.S. government services provider able to support the breadth and depth of the government’s mission and business requirements. From analyzing weather satellite data for the National Oceanic and Atmospheric Administration (“NOAA”), operating and maintaining the Navy’s IT network, processing claims and protecting against fraud, waste and abuse, investigating the suitability of people seeking a security clearance, or providing a modern system for processing tens of thousands of immigrant benefit applications per day, we will support each customer’s unique information and systems mission. Further, as a “pure play” with a tailored strategy and focus on the U.S. government market, we will apply our decades-long experience with core customers to move into adjacent markets, increase speed and innovation, improve mission performance, provide more comprehensive citizen services, improve flexibility in how citizens consume IT, and drive cost-effectiveness through efficient delivery of next-generation solutions.

With approximately \$4.1 billion in pro forma combined revenues and approximately \$66 million in pro forma combined net income for the twelve months ended October 31, 2016, and a highly skilled workforce of more than 14,000, Perspecta will serve a robust base of established and diverse customers, including longstanding relationships with the Intelligence Community, National Aeronautics and Space Administration (“NASA”), National Background Investigations Bureau, multiple federal healthcare agencies, state government

agencies and local municipalities. We will apply our extensive intellectual property (“IP”) portfolio of patents and differentiated offerings at the forefront of technical advancements in cybersecurity, mobility, advanced networking, cloud engineering, machine learning and agile software development to grow existing programs and win new business.

Perspecta anticipates it will provide meaningful scale and end-to-end, technology-focused solutions, leveraging the full spectrum of its offerings and industry expertise to ensure broader access to customers, capabilities and contract vehicles. Our services and solutions will span the entire lifecycle of programs, encompassing applied research, systems definition, architecture, agile solutions development, test and integration, deployment, and operations underpinned by strong technology, analytics and cybersecurity. The combined company expects to have a compelling industry platform at scale, robust profit margins and a large qualified and diverse pipeline with attractive expansion opportunities.

Our Key Market

We believe significant change is coming to the government sector, prompted largely by the availability of new technologies, and further driven by demands for innovation, improved national security, reduced costs, and empowered citizens and employees. Instead of delivering services through traditional channels, government agencies are expected to provide new services that inspire public trust by creating outcomes that meet rapidly changing citizen needs, while also conforming to applicable regulations and government policies. Key attributes of the public sector market include:

- Increasing demand for technology-based enterprise solutions;
- Increasing focus on national security and cybersecurity demands and focus;
- Aging critical systems requiring modernization;
- Government-wide mandate to improve efficiency and reduce cost; and
- Government cloud-first policy creating demand for complex cloud-based solutions.

Overall spending within the public sector market is now trending upward with growth expected to be between 1.5% and 2.0% per annum according to the Federal Market Outlook Report for the Years 2017 to 2022 prepared by Deltek, Inc., with pockets of growth within Perspecta’s capabilities such as Information Security, Big Data Analytics, and Cloud Services. We believe Perspecta will have a significant and advantageous presence within the Intelligence Community, Department of Defense, Federal Healthcare, Space and state and local governments, each of which represent some of the most well-funded and growing markets in our industry. Additionally in the markets we serve, we believe the demand for application and platform modernization and digital transformation will accelerate as agency CIOs embrace modern architectures. The state and local government markets are anticipated to grow between 3.5% and 4.0% per annum according to the State and Local Market IT Outlook Report for the Years 2018 to 2023 prepared by Deltek, Inc., largely driven by demand for complex multi-year IT programs that require high levels of subject matter and regulatory expertise. We believe these requirements combined with historically high renewal rates and a need for large scale distributed operations will create high barriers to entry and an increased opportunity to leverage Perspecta’s strength to become a long term transformation partner.

Our Strategy

To address the market trends within our competitive environment, we have developed a strategy comprised of the following elements:

- Increase our penetration with existing, well-funded customers in the Intelligence Community and federal civilian agencies, where our current contracts and relationships provide a stable base for

growth. We will focus on client needs and delivery excellence, and provide differentiated offerings and approaches compared to industry peers. Further, we plan to integrate, develop and cross-sell the services offered by USPS, Vencore and Keypoint following the completion of the Spin-Off and the Mergers;

- Tap into a larger addressable market by leveraging innovation backed by highly-skilled talent, mission expertise, advanced IP, and a deep partnership ecosystem to enhance the technological sophistication and capabilities of our customers. We will continue to expand and apply our suite of IP, with more than 260 issued/licensed/pending patents leveraging our internal and customer-funded research and development (“R&D”) investment, as a core competitive advantage vital to our growth strategy. In particular, our capabilities and IP position us to capture the growing demand within government markets for information systems that are highly secure, scalable, reliable, interoperable, and mobile. We will apply these capabilities to achieve better mission outcomes, drive efficiencies and automation, and address emerging threats;
- Bring transformative digital skills and mission-enabled offerings in advanced analytics, cybersecurity, and agile software development, with more than 1,000 agile-certified staff, to position ourselves as the U.S. government’s digital transformation partner of choice to help customers overcome mission-critical challenges and combine disparate systems into a modern cohesive, cloud-enabled IT infrastructure and reliable digital workplace;
- Solve our nation’s most complex mission challenges with our broad scale and reach, combined with deep subject matter expertise across all levels of government including key capabilities in investigative, risk management, and cyber; and
- Leverage our client intimacy and the combined core competencies of USPS and Vencore to target and win large programs. The development and support of large, complex programs is the foundation upon which our companies were built and remains central to our strategy, particularly in adjacent and underpenetrated markets in the federal civilian and Department of Defense (“DOD”) market. We will focus on targeting and winning large and complex programs by leveraging our exceptional contract performance, proprietary technology-enabled solutions, skilled and cleared workforce and large indefinite delivery/indefinite quantity (“ID/IQ”) portfolio.

Our Key Capabilities

Perspecta will provide various complementary capabilities to its customers derived from clear strengths in the respective markets of USPS and Vencore, in areas including:

- Next-generation capabilities such as digital transformation, cybersecurity, cloud engineering, machine learning and predictive analytics;
- Application development, modernization, transformation and management;
- Digital workplace, mobility and end-to-end Enterprise IT solutions, engineering and support;
- Systems Engineering & Integration (SE&I);
- Digital Strategy and Transformation consulting;
- Applied Research; and
- Investigative services and identity authentication services at scale.

Our Customers

Perspecta will primarily serve the following markets: intelligence, defense, space, federal civilian, federal healthcare and state and local governments. The U.S. federal government represents an approximate \$120 billion

annual market opportunity and is the largest consumer of information and technology services in the United States USPS estimates (based on the aggregate total of individual market estimates presented elsewhere in this Information Statement). The state and local market represents an approximate \$43 billion annual market opportunity according to a market report for state and local IT spending prepared by Deltek, Inc. Because Perspecta's core government markets remain well funded in the areas we serve as noted above, we believe our capabilities are directly positioned for growth, given the differentiated service offerings we provide. Following the Spin-Off and the Mergers, Perspecta will generate revenues from its customers pursuant to several different contractual arrangements. On a pro forma basis for the Spin-Off and the Mergers, for the nine months ended December 31, 2017, Perspecta earned approximately 52%, 27% and 21% of its revenues from services provided under fixed-priced contracts, cost-plus-fee contracts and time and material contracts, respectively.

Our Competitors

The market for providing services to the U.S. public sector is highly competitive and favors participants with competitive cost structures and experience procuring and delivering on bids. Perspecta believes it is well suited to compete in this market given its strong IP portfolio, mission experience, and the breadth of professional IT services it has historically provided to the U.S. public sector. Perspecta's breadth of capabilities places the company against a broad range of competitors including:

- *Government Pure Plays*: Leidos, Science Applications International Corporation, Booz Allen Hamilton, CACI International, CSRA, Engility and ManTech International
- *Services Divisions of Large Defense Contractors*: General Dynamics, Northrop Grumman, Raytheon, Boeing and BAE Systems
- *Commercial consulting, technology and outsourcing service providers*: IBM, Accenture, Deloitte, AT&T, Amazon Web Services (AWS), Microsoft Azure and ServiceNow
- *Small Businesses*: Diverse small businesses typically aligned to specific customers, capabilities and geographies

Perspecta believes it is well positioned to compete in our market as we possess longstanding experience in bringing leading solutions to clients through our balance of organically developed IP and innovation from our Labs, commercial practices, go to market strategies aligned with commercial (AWS, Microsoft, Oracle) and industry partners and deep subject matter expertise under one of the most competitive cost structures in the industry. These innovation levers are further enhanced by a diverse and skilled talent base that possesses differentiated skills across offerings ranging from cybersecurity, big data analytics, cloud and mobility, Enterprise IT services and systems engineering. These attributes form a cornerstone of scale, combined capabilities, and expertise that will allow Perspecta to compete for larger programs and unlock access to additional topline opportunities while staying agile to the public sector's changing needs.

The Transactions

Overview

On October 11, 2017, DXC announced plans for the complete legal and structural separation of its USPS business and the subsequent combination of the USPS and Vencore businesses.

To effect the separation, DXC is undertaking the Internal Reorganization described under "The Separation and Distribution Agreement and Ancillary Agreements." After giving effect to the Internal Reorganization, Perspecta, DXC's wholly owned subsidiary, will hold the shares of the legal entities operating the USPS business.

Following the Internal Reorganization but prior to the Distribution, Perspecta will pay a cash distribution and/or distribute debt securities of Perspecta to DXC, in an aggregate amount of \$984 million, which reflects the transaction consideration of \$1,050 million less the expected \$66 million in principal amount of the EDS Notes that will remain outstanding at a subsidiary of Perspecta following the Internal Reorganization. Perspecta currently expects to make such payment to DXC through a cash distribution financed through borrowings under a new senior secured term loan facility.

Following the Internal Reorganization and Perspecta Payment, DXC will distribute all of its equity interest in us, consisting of all of the outstanding shares of our common stock, to DXC's stockholders on a pro rata basis.

Following the Spin-Off, under the Merger Agreement and in accordance with Delaware law, KeyPoint Merger Sub will merge with and into KGS Holding Corp., with KGS Holding Corp. surviving the KeyPoint Merger. Concurrently Vencore Merger Corp. will merge with and into Vencore Holding Corp., with Vencore Holding Corp. surviving the First Vencore Merger. Immediately after the KeyPoint Merger and First Vencore Merger, Vencore Holding Corp. will merge with and into Vencore Merger LLC, with Vencore Merger LLC surviving the Second Vencore Merger. As a result of the Mergers, Vencore and KGS Holding Corp. will become wholly owned subsidiaries of Perspecta. For details of the structure of the transaction, see "The Merger Agreement."

Transaction Rationale

The board of directors of DXC considered the following potential benefits in deciding to pursue the Spin-Off and Mergers:

- *Strategic Focus and Flexibility.* Following the Spin-Off, DXC and Perspecta will each have a more focused business and be better able to dedicate financial and human capital resources to pursue appropriate growth opportunities and execute strategic plans best suited to its respective business. The Spin-Off will also allow each of DXC and Perspecta to enhance its strategic flexibility to respond to industry-unique dynamics. In the U.S. public sector, technology demands are increasing, and customers seek service providers with specific experience in government-focused systems and innovation. By separating, our business will have the scale as well as the market focus to meet unique customer needs and industry requirements. Further, the Spin-Off will allow the management of each of DXC and Perspecta to devote its time and attention to the development and implementation of corporate strategies and policies that are based primarily on the specific business characteristics of their respective companies
- *Expanded Expertise.* DXC highlighted the opportunity for USPS and Vencore, on a combined basis, to become a leading services provider to the U.S. government sector, with pro forma combined revenues and net income of approximately \$4.1 billion and \$66 million, respectively, for the twelve months ended October 31, 2016, and a highly skilled workforce of more than 14,000. USPS and Vencore bring complementary capabilities in mission solutions and enterprise IT services, within an established and complementary client portfolio with minimal overlap. Further, Vencore is a clear market leader in the Investigative Services space, holding over 50% of the market. Our employees operate at the core of our clients' missions, with deep understanding of systems and missions.
- *Strategic Positioning in Consolidating Industry.* The combination of USPS and Vencore is a strategic move to position the combined company as the government IT services industry consolidates. The combination of USPS and Vencore is expected to provide opportunities for the combined company to leverage its scope and scale to capitalize on future growth opportunities.
- *Management Incentives.* The Spin-Off will enable Perspecta to create incentives for its management and employees that are more closely tied to its business performance and stockholder expectations.

Perspecta's equity-based compensation arrangements will more closely align the interests of Perspecta's management and employees with the interests of its stockholders and should increase Perspecta's ability to attract and retain personnel.

- *Capital Structure and Stockholder Flexibility.* The segments in which DXC and Perspecta expect to operate have historically had different growth profiles and cash flow dynamics. The Spin-Off will allow DXC and Perspecta to separately manage their capital strategies and cost structures and will allow investors to make independent investment decisions with respect to DXC and Perspecta, including the ability for Perspecta to achieve alignment with a more natural stockholder base. Investment in one or the other company may appeal to investors with different goals, strategies, interests and concerns.
- *Focused Investments.* While operating as part of DXC, internal investments were often directed according to DXC's strategic interests as a whole. The Spin-Off will allow Perspecta to focus our investments on projects that optimize returns for our own businesses supporting U.S. federal, state and local markets.
- *Synergies.* We expect the combination of USPS and Vencore to provide opportunities for cost savings and other operating synergies, which we currently estimate at \$58 million in annual cost savings within 36 months following the Mergers through the consolidation and integration of management systems, corporate overhead costs, improved facility efficiencies, lower vendor costs, and harmonization of benefits and human resource systems. We expect up to \$43 million in run-rate cost synergies to be implemented within the first 12-18 months upon completion of the Mergers. We believe our one-time costs to realize these recurring annual cost savings will be approximately \$36 million. The size of these expected cost synergies is partly a function of the significant steps DXC has already taken since the DXC Merger. Given the nature of the federal government contracting arrangements, and whereas a significant portion of our contracts portfolio are under cost-plus and time-and-material contract vehicles where our indirect cost factors are adjusted periodically, a portion of the realized cost synergy savings will be "given-back" over time in the form of lower prices to our customers. We believe these cost reductions and operating efficiencies will better position us to compete for federal government contracts as it will reduce costs for our customers and improve our competitiveness.

The Companies

USPS

USPS is a leading provider of end-to-end enterprise IT services to government customers across U.S. federal, state and local markets. Using its market-leading enterprise offerings and solutions, USPS helps its government customers implement modern collaborative workplaces, hybrid cloud platforms and integrated digital systems of engagement with their enterprise management systems. By delivering these modern enterprise solutions, while ensuring interoperability with mission critical legacy systems, USPS has helped its government customers better realize the benefits of technology, which will ultimately enable them to fulfill their mission objectives and achieve business outcomes.

In addition to providing substantial benefits through increased efficiencies and capabilities, USPS believes demand for its services is also driven by the technological advances that have already reinvented commercial industries, which are now exerting a similar evolutionary effect on government customers. In response to these pressures, USPS believes modern governments customers are increasingly turning to outside partners, such as USPS, to help guide them through this digital transformation.

We are a Nevada corporation. Our principal executive offices are located at 13600 EDS Drive, Herndon, Virginia 20171. Our telephone number is (703) 245-9675. Following the Distribution, our website address will

be . Information contained on, or connected to, our website or DXC's website does not and will not constitute part of this Information Statement or the registration statement on Form 10 of which this Information Statement is a part.

Vencore

Vencore is a leading provider of mission-critical, innovation-driven services and solutions to U.S. government customers. The foundation of Vencore's business is the application of SE&I, cybersecurity, big data analytics and applied research on an enterprise-wide scale to assist Vencore's customers in solving their most complex information-related challenges. Vencore is a leader in the architecture and integration of highly-engineered, mission-critical information solutions across the U.S. government, and provides enterprise-level support to multiple governmental programs that manage, collect, analyze and disseminate critical mission data to national security agencies and their customers. Vencore maintains industry-leading expertise in providing comprehensive solutions throughout the life of multi-billion dollar systems that support the core missions of the Intelligence Community and other U.S. government agency customers.

Vencore applies next-generation cybersecurity, analytical, and engineering expertise to anticipate, identify, and resolve customers' most demanding information-related challenges, including the effective management and integration of large and complex government systems, the efficient collection and analysis of large quantities of critical data, the migration of applications and data to the cloud, and the implementation of effective cybersecurity measures to successfully detect, prevent and mitigate cyber-attacks.

Vencore is a mission-critical provider of specialized investigative services to a broad range of organizations spanning the federal, defense, intelligence and civilian sectors. Leveraging proprietary algorithmic workflow systems and a nationwide footprint of highly experienced investigators and subject matter experts, Vencore provides critical information to support sensitive decisions.

Questions and Answers about the Transactions

The following provides only a summary of the terms of the Spin-Off, the Mergers and the transactions contemplated thereby. You should read the sections titled “The Transactions,” “The Merger Agreement” and “The Separation and Distribution Agreement and Ancillary Agreements” below in this Information Statement for a more detailed description of the matters described below.

Q: What is the Spin-Off?

A: The Spin-Off is the method by which we will separate from DXC. As part of the Spin-Off, DXC will undertake the Internal Reorganization so that we hold the USPS business. Thereafter, in the Distribution, DXC will distribute to its stockholders all the outstanding shares of our common stock. Following the Spin-Off, we will be an independent, publicly-traded company, and DXC will not retain any ownership interest in us.

Q: What are the Mergers?

A: Under the terms of the Merger Agreement, after the Distribution KeyPoint Merger Sub will merge with and into KGS Holding Corp., with KGS Holding Corp. surviving the KeyPoint Merger. Concurrently, Vencore Merger Corp will merge with and into Vencore Holding Corp., with Vencore Holding Corp. surviving the First Vencore Merger. Immediately after the KeyPoint Merger and First Vencore Merger, Vencore Holding Corp. will merge with and into Vencore Merger LLC, with Vencore Merger LLC surviving the Second Vencore Merger. As a result of the Mergers, Vencore Merger LLC and KGS Holding Corp. will become wholly owned subsidiaries of Perspecta. The Mergers will result in the Vencore Stockholder and the KeyPoint Stockholder owning approximately 14% of the common stock of Perspecta immediately following the effective time of the Mergers (on a fully diluted basis, excluding certain unvested equity incentive awards). Shares issued to DXC stockholders in the Distribution will constitute approximately 86% of the common stock of Perspecta outstanding after the effective time of the Mergers (on a fully diluted basis, excluding certain unvested equity incentive awards).

Q: Will the number of DXC shares I own change as a result of the Spin-Off and the Mergers?

A: No, the number of shares of DXC common stock you own will not change as a result of the Spin-Off and the Mergers.

Q: What are the reasons for the Spin-Off and Mergers?

A: The board of directors of DXC considered the following potential benefits in deciding to pursue the Spin-Off and Mergers:

Strategic Focus and Flexibility. Following the Spin-Off, DXC and Perspecta will each have a more focused business and be better able to dedicate financial and human capital resources to pursue appropriate growth opportunities and execute strategic plans best suited to its respective business. The Spin-Off will also allow each of DXC and Perspecta to enhance its strategic flexibility to respond to industry-unique dynamics. In the U.S. public sector, technology demands are increasing, and customers seek service providers with specific experience in government-focused systems and innovation. By separating, our business will have the scale as well as the market focus to meet unique customer needs and industry requirements. Further, the Spin-Off will allow the management of each of DXC and Perspecta to devote its time and attention to the development and implementation of corporate strategies and policies that are based primarily on the specific business characteristics of their respective companies.

Expanded Expertise. DXC highlighted the opportunity for USPS and Vencore, on a combined basis, to become a leading services provider to the U.S. government sector, with pro forma combined revenues and net income of approximately \$4.1 billion and \$66 million, respectively, for the twelve months ended October 31, 2016, and a highly skilled workforce of more than 14,000. USPS and Vencore bring complementary capabilities in mission solutions and enterprise IT services, within an established and complementary client portfolio. Our employees operate at the core of our clients' missions, with deep understanding of systems and missions.

Strategic Positioning in Consolidating Industry. The combination of USPS and Vencore is a strategic move to position the combined company as the government IT Services industry consolidates. The combination of USPS and Vencore is expected to provide opportunities for the combined company to leverage its scope and scale to capitalize on future growth opportunities.

Management Incentives. The Spin-Off will enable Perspecta to create incentives for its management and employees that are more closely tied to its business performance and stockholder expectations. Perspecta equity-based compensation arrangements will more closely align the interests of Perspecta's management and employees with the interests of its stockholders and should increase Perspecta's ability to attract and retain personnel.

Capital Structure and Stockholder Flexibility. The segments in which DXC and Perspecta expect to operate have historically had different growth profiles and cash flow dynamics. The Spin-Off will allow DXC and Perspecta to separately manage their capital strategies and cost structures and will allow investors to make independent investment decisions with respect to DXC and Perspecta, including the ability for Perspecta to achieve alignment with a more natural stockholder base. Investment in one or the other company may appeal to investors with different goals, interests and concerns.

Focused Investments. While operating as part of DXC, internal investments were often directed according to DXC's strategic interests as a whole. The Spin-Off will allow us to focus our investments on projects that optimize returns for our own businesses supporting U.S. federal, state and local markets.

Synergies. We expect the combination of USPS and Vencore to provide opportunities for cost savings and other operating synergies, which we currently estimate at \$58 million in annual cost savings within 36 months following the Mergers through the consolidation and integration of management systems, corporate overhead costs, improved facility efficiencies, lower vendor costs, and harmonization of benefits and human resource systems. We expect up to \$43 million in run-rate cost synergies to be implemented within the first 12-18 months upon completion of the Mergers. We believe our one-time costs to realize these recurring annual cost savings will be approximately \$36 million. The size of these expected cost synergies is partly a function of the significant steps DXC has already taken since the DXC Merger. Given the nature of the federal government contracting arrangements, and whereas a significant portion of our contracts portfolio are under cost-plus and time-and-material contract vehicles where our indirect cost factors are adjusted periodically, a portion of the realized cost synergy savings will be "given-back" over time in the form of lower prices to our customers. We believe these cost reductions and operating efficiencies will better position us to compete for federal government contracts as it will reduce costs for our customers and improve our competitiveness.

Q: Why is the separation of Perspecta structured as a Spin-Off?

A: DXC believes that a tax-free distribution of our shares is the most efficient way to separate our business from DXC in a manner that will achieve the benefits described above.

Q: What will I receive in the Distribution?

A: As a holder of DXC common stock, you will receive a dividend of one share of our common stock for every two shares of DXC common stock you hold on the Record Date (as defined below). The distribution agent

will distribute only whole shares of our common stock in the Distribution. No fractional shares of our common stock will be issued pursuant to the dividend. Instead, the transfer agent will aggregate fractional shares into whole shares, sell the whole shares in the open market at prevailing rates and distribute the net cash proceeds pro rata to each holder who would otherwise have been entitled to receive fractional shares in the Distribution. Your proportionate interest in DXC will not change as a result of the Distribution. For a more detailed description, see “The Transactions.”

Q: How will fractional shares be treated in the Spin-Off?

A: Any fractional shares of Perspecta common stock otherwise issuable to you will be sold on your behalf, and you will receive a cash payment with respect to that fractional share. For an explanation of how the cash payments for fractional shares will be determined, see “The Transactions—Treatment of Fractional Shares.”

Q: What is being distributed in the Distribution?

A: DXC will distribute approximately million shares of our common stock in the Distribution, based on the approximately million shares of DXC common stock outstanding as of , 2018. The actual number of shares of our common stock that DXC will distribute in the Distribution will depend on the actual number of shares of DXC common stock outstanding on the Record Date, which will reflect any issuance of new shares or exercises of outstanding options pursuant to DXC’s equity plans, and any repurchase of DXC shares by DXC under its common stock repurchase program, on or prior to the Record Date. The shares of our common stock that DXC distributes will constitute all of the issued and outstanding shares of our common stock immediately prior to the Distribution. For more information on the shares being distributed in the Spin-Off, see “Description of Our Capital Stock—Common Stock.”

DXC stockholders will not receive any new shares of common stock of Perspecta in the Mergers and will continue to hold the Perspecta shares they received in the Distribution. The Mergers will result in the Vencore Stockholder and the KeyPoint Stockholder owning approximately 14% of the common stock of Perspecta outstanding immediately after the effective time of the Mergers (on a fully diluted basis, excluding certain unvested equity incentive awards). Shares issued to DXC stockholders in the Distribution will constitute approximately 86% of the common stock of Perspecta outstanding after the effective time of the Mergers (on a fully diluted basis, excluding certain unvested equity incentive awards).

Q: What is the record date for the Distribution?

A: DXC will determine record ownership as of the close of business on , 2018 which we refer to as the “Record Date.”

Q: When will the Distribution occur?

A: The Distribution will be effective by 11:59 p.m., New York City time, on , 2018, which we refer to as the “Distribution Date.” On or shortly after the Distribution Date, shares of our common stock will be credited in book-entry accounts for DXC stockholders entitled to receive the shares in the Distribution. See “How will DXC distribute shares of our common stock?” for more information on how to access your book-entry account or your bank, brokerage or other account holding the Perspecta common stock you receive in the Distribution on and following the Distribution Date.

Q: What do I have to do to participate in the Distribution?

A: You are not required to take any action, but we urge you to read this Information Statement carefully. Holders of DXC common stock will not need to pay any cash or provide any other consideration, including

any shares of DXC common stock, in order to receive shares of our common stock in the Distribution. In addition, no stockholder approval of the Distribution is required. We are not asking you for a vote and request that you do not send us a proxy. Neither the Distribution nor the Mergers will result in any changes in DXC stockholders' ownership of DXC common stock. No vote of DXC stockholders is required or sought in connection with the Distribution or the Mergers.

Q: If I sell my shares of DXC common stock on or before the Distribution Date, will I still be entitled to receive shares of Perspecta common stock in the Distribution?

A: If you hold shares of DXC common stock on the Record Date and sell them on or before the Distribution Date in the “regular-way” market, you also will be selling your right to receive shares of Perspecta common stock in connection with the Distribution. If you wish to sell your DXC common stock with or without your entitlement to our common stock, you should discuss these alternatives with your bank, broker or other nominee. See “The Transactions—Trading Prior to the Distribution Date” for more information.

Q: What is “regular-way” and “ex dividend” trading of DXC common stock?

A: We anticipate that, on or shortly before the Record Date, there will be two markets in DXC common stock: (1) a “regular-way” market on which shares of DXC common stock will trade with the entitlement for the purchaser of DXC common stock to receive shares of our common stock to be distributed in the Distribution, and (2) a “ex dividend” market on which shares of DXC common stock will trade without the entitlement for the purchaser of DXC common stock to receive shares of our common stock. If you hold shares of DXC common stock on the Record Date and then sell those shares before the Distribution Date, you should make sure your stockbroker, bank or other nominee understands whether you want to sell your shares of DXC common stock with or without your entitlement to Perspecta common stock pursuant to the Distribution.

Q: How will DXC distribute shares of our common stock?

A: *Registered stockholders.* If you own your shares of DXC common stock directly through DXC’s transfer agent, EQ Shareowner Services, you are a registered stockholder. In this case, the distribution agent will credit the shares of our common stock you receive in the Distribution by way of direct registration in book-entry form to a new account with our transfer agent. Registration in book-entry form refers to a method of recording share ownership where no physical stock certificates are issued to stockholders, as is the case in the Distribution. You will be able to access information regarding your book-entry account holding the Perspecta shares at shareowneronline.com or by calling EQ Shareowner Services at 800-468-9716.

“Street name” or beneficial stockholders. If you own your shares of DXC common stock through a bank, broker or other nominee, your bank, broker or other nominee will credit your account with the shares of our common stock that you receive in the Distribution on or shortly after the Distribution Date. We encourage you to contact your bank, broker or other nominee if you have any questions concerning the mechanics of having shares held in “street name.”

We will not issue any physical stock certificates to any stockholders, even if requested. See “The Transactions—When and How You Will Receive Perspecta Shares” for a more detailed explanation.

Q: What are the U.S. federal income tax consequences to me of the Distribution?

A: It is a condition to the Distribution that DXC receive a written opinion of its tax counsel, Skadden, Arps, Slate, Meagher & Flom LLP (“Skadden Arps”), in form and substance reasonably acceptable to DXC, to the effect that, on the basis of the facts and customary representations and assumptions set forth or referred to in

such opinion, for U.S. federal income tax purposes, (i) the Spin-Off should qualify as a “reorganization” within the meaning of Section 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the “Code”), (ii) DXC should recognize no gain or loss under Section 361(c) of the Code upon the Distribution, and (iii) DXC’s stockholders should recognize no gain or loss under Section 355(a) of the Code upon the receipt of Perspecta common stock in the Distribution. Assuming that the Spin-Off so qualifies, for U.S. federal income tax purposes, no gain or loss should be recognized by, or be includible in the income of, a U.S. holder (as defined in “Material U.S. Federal Income Tax Consequences of the Distribution”) as a result of the Distribution, except for any gain or loss attributable to the receipt of cash in lieu of fractional shares of Perspecta common stock. In addition, the aggregate tax basis of the DXC common stock and our common stock (including any fractional share interest in our common stock for which cash is received) held by each U.S. holder immediately after the Distribution should be the same as the aggregate tax basis of the DXC common stock held by the U.S. holder immediately before the Distribution, allocated between the DXC common stock and our common stock in proportion to their relative fair market values on the date of the Distribution (subject to certain adjustments). See “Material U.S. Federal Income Tax Consequences of the Distribution” for more information regarding the potential tax consequences to you of the Spin-Off. STOCKHOLDERS ARE ENCOURAGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE SPIN-OFF TO THEM, INCLUDING THE APPLICABILITY AND EFFECT OF ANY U.S. FEDERAL, STATE AND LOCAL TAX LAWS, AS WELL AS FOREIGN TAX LAWS.

Q: Does Perspecta intend to pay cash dividends?

A: We currently anticipate paying quarterly cash dividends following the Spin-Off, subject to our Board of Directors’ approval. The timing, declaration, amount and payment of any future dividends to our stockholders will fall within the discretion of our Board of Directors and will depend on many factors, including our financial condition, results of operations and capital requirements, legal requirements, regulatory constraints, industry practice and other business considerations that our Board of Directors deems relevant from time to time. In addition, the terms of the agreements governing our debt or debt that we may incur in the future may restrict the payments of dividends. See “Dividend Policy” for more information.

Q: What are the financing plans for Perspecta, and what will be the indebtedness of Perspecta and its subsidiaries following the completion of the Transactions?

A: Perspecta’s committed financing in connection with the Spin-Off and Mergers includes: senior secured term loan credit facilities in an aggregate principal amount of up to \$2,235 million (the “New Term Facility”), a portion of which will be used to fund the Perspecta Payment, and a senior secured revolving credit facility in an aggregate principal amount of \$600 million (the “New Revolving Credit Facility” and with the New Term Facility, the “New Credit Facilities”). Alternatively, Perspecta may supplement the New Credit Facilities with a separate \$400 million seven-year institutional term loan facility (the “Term Loan B Facility”), the net proceeds of which would be used to partially reduce the initial amount drawn under our New Revolving Credit Facility and to decrease the amount incurred under the New Term Facility. While we are actively pursuing this alternative financing, there can be no assurance that we will enter into such a Term Loan B Facility. In addition, Enterprise Services, a subsidiary of Perspecta following the Internal Reorganization, will retain contractual capitalized lease obligations with an aggregate outstanding balance of up to \$300 million, net of expected off-setting cash payments from DXC. In addition, approximately \$66 million in principal amount of the outstanding EDS Notes are expected to remain outstanding at Enterprise Services, with any additional amounts to reduce the cash distribution to be received by DXC. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations of USPS—Liquidity and Capital Resources” for more information.

Q: How will Perspecta common stock trade?

A: Currently, there is no public market for our common stock. We intend to list our common stock on the NYSE under the symbol “PRSP.” We anticipate that trading in our common stock will begin on a “when-issued” basis on or shortly before the Record Date for the Distribution and will continue up to and including the Distribution Date. “When-issued” trading in this context refers to a sale or purchase of our common stock and made conditionally on or before the Distribution Date, because the securities of the spun-off entity have not yet been distributed. On the first trading day following the Distribution Date, any “when-issued” trading of our common stock will end and “regular-way” trading of our common stock will begin. In this context, “regular-way” trading refers to trading after our common stock has been distributed and typically involves a trade that settles on the second full trading day following the date of the trade. See “The Transactions—Trading Prior to the Distribution Date” for more information. We cannot predict the trading prices for our common stock before, on or after the Distribution Date.

Q: What will be the relationship between DXC and Perspecta following the Distribution?

A: Following the Distribution, DXC will not own any of our shares and we will operate independently of DXC. Apart from our Chairman, who will remain Chief Executive Officer (“CEO”) of DXC after the Distribution, we currently do not expect other members of our Board of Directors to be officers or directors of DXC. In addition, we do not expect to depend on DXC to conduct our business following the Distribution apart from certain limited transitional support services, as well as IP licenses and non-U.S. agency services. In order to govern the ongoing relationships between us and DXC after the Spin-Off and to facilitate an orderly transition, we and DXC intend to enter into agreements providing for various services and rights following the Spin-Off and under which we and DXC will agree to indemnify each other against certain liabilities arising from our respective businesses. These agreements will, among other things, provide arrangements for employee and pension-related matters, tax matters, IP matters as well as transitional services and non-U.S. agency services. See “Risk Factors—Risks Relating to the Spin-Off and the Mergers,” “The Separation and Distribution Agreement and Ancillary Agreements” and “Certain Relationships and Related Party Transactions—Agreements with DXC” for details.

Q: Will the Spin-Off affect the trading price of my DXC common stock?

A: Yes. We expect the trading price of shares of DXC common stock immediately following the Distribution to be lower than the “regular-way” trading price of such shares immediately prior to the Distribution because the trading price will no longer reflect the value of the USPS business. Furthermore, until the market has fully analyzed the value of DXC without the USPS business, the trading price of shares of DXC common stock may fluctuate. There can be no assurance that, following the Distribution, the combined trading prices of DXC common stock and our common stock will equal or exceed what the trading price of DXC common stock would have been in the absence of the Spin-Off.

It is possible that after the Spin-Off, the combined market value of the equity of DXC and Perspecta will be less than DXC’s equity value before the Spin-Off.

Q: Do I have appraisal rights in connection with the Spin-Off?

A: No. Holders of DXC common stock are not entitled to appraisal rights in connection with the Spin-Off.

Q: Are there risks associated with owning shares of Perspecta common stock?

A: Yes. Our business faces both general and specific risks and uncertainties relating to the USPS business and the Vencore business. Our business also faces risks relating to the Spin-Off and Mergers. Following the Spin-Off, we will also face risks associated with being an independent, publicly-traded company.

Accordingly, you should read carefully the information set forth in the section titled “Risk Factors” in this Information Statement.

Q: Who is the distribution agent, transfer agent and registrar for Perspecta common stock?

A: EQ Shareowner Services

Q: Where can I get more information?

A: If you have any questions relating to the mechanics of the Distribution, you should contact EQ Shareowner Services at:

EQ Shareowner Services
P.O. Box 64874
St. Paul, MN 55164-0874
Phone: 800-468-9716

Before the Spin-Off, if you have any questions relating to the Spin-Off, you should contact DXC at:

Jonathan Ford
Director of Investor Relations
DXC Technology Company
1775 Tysons Boulevard
Tysons, VA 22102
Phone: 703-245-9700

After the Spin-Off, if you have any questions relating to Perspecta, you should contact us at:

Investor Relations
Perspecta
13600 EDS Drive
Herndon, VA 20171
Phone: 703-245-9675

Summary of the Spin-Off

Distributing Company

DXC Technology Company, a Nevada corporation that holds all of our common stock issued and outstanding prior to the Distribution. After the Distribution, DXC will not own any shares of our common stock.

Distributed Company

Perspecta, a Nevada corporation and a wholly owned subsidiary of DXC. At the time of the Distribution, we will hold through our subsidiaries assets and liabilities relating to Perspecta as well as certain other assets and liabilities allocated to us by DXC. After the Spin-Off, we will be an independent publicly-traded company.

Distributed Securities

100% of our common stock issued and outstanding immediately prior to the Distribution. Based on the approximately shares of DXC common stock outstanding on , and applying the distribution ratio of one of Perspecta common stock for every two shares of DXC common stock, approximately shares of Perspecta common stock will be distributed in the Spin-Off. The

	<p>actual number of shares of our common stock DXC will distribute in the Spin-Off will depend on the actual number of shares of DXC common stock outstanding on the Record Date, which will reflect any issuance of new shares or exercises of outstanding options pursuant to DXC’s equity plans, and any repurchase of DXC shares by DXC under its common stock repurchase program, on or prior to the Record Date.</p>
Record Date	The Record Date is the close of business on _____, 2018.
Distribution Date	The Distribution Date is _____, 2018.
Internal Reorganization	In connection with the Spin-Off, DXC will undertake the Internal Reorganization so that we hold the USPS business. See “The Separation and Distribution Agreement and Ancillary Agreements” for a description of the Internal Reorganization.
Distribution Ratio	<p>Each holder of DXC common stock will receive a dividend of one share of our common stock for every two shares of DXC common stock it holds on the Record Date. The distribution agent will distribute only whole shares of our common stock in the Spin-Off. No fractional shares of our common stock will be issued pursuant to this dividend. Any fractional shares of Perspecta common stock otherwise issuable to you will be sold on your behalf, and you will receive a cash payment with respect to that fractional share. For an explanation of how the cash payments for fractional shares will be determined, see “The Transactions—Treatment of Fractional Shares.”</p> <p>Please note that if you sell your shares of DXC common stock on or before the Distribution Date in the “regular-way” market, the buyer of those shares may in some circumstances be entitled to receive the shares of our common stock to be distributed in respect of the DXC shares that you sold. See “The Transactions—Trading Prior to the Distribution Date” for more detail.</p>
The Distribution	<p>On the Distribution Date, DXC will release the shares of our common stock to the distribution agent to distribute to DXC stockholders. DXC will distribute our shares in book-entry form and thus we will not issue any physical stock certificates. We expect that it will take the distribution agent up to two weeks to electronically issue shares of our common stock to you or your bank or brokerage firm on your behalf by way of direct registration in book-entry form. The ability to trade our shares will not be affected during that time. You will not be required to make any payment, surrender or exchange your shares of DXC common stock or take any other action to receive your shares of our common stock.</p>
Incurrence of Debt	Perspecta’s committed financing in connection with the Spin-Off and Mergers includes: the New Term Facility in an aggregate principal amount of up to \$2,235 million, a portion of which will be used to fund the Perspecta Payment, and the New Revolving Credit Facility

in an aggregate principal amount of \$600 million. In addition, Enterprise Services, a subsidiary of Perspecta following the Internal Reorganization, will retain contractual capitalized lease obligations with an aggregate balance of up to \$300 million, net of expected offsetting cash payments to DXC. In addition, approximately \$66 million in principal amount of the outstanding EDS Notes are expected to remain outstanding at Enterprise Services, with any additional amounts to reduce the cash distribution to be received by DXC. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations of USPS—Liquidity and Capital Resources” for more information.

Conditions to the Spin-Off

The Spin-Off is subject to the satisfaction, or the waiver of DXC’s board of directors, of the following conditions:

- the board of directors of DXC shall have approved the Internal Reorganization and the Distribution and shall have declared the distribution of Perspecta common stock to DXC stockholders;
- the ancillary agreements contemplated by the Separation and Distribution Agreement shall have been executed by each party to those agreements;
- the Securities and Exchange Commission (“SEC”) shall have declared effective our Registration Statement on Form 10, of which this Information Statement is a part, under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and no stop order suspending the effectiveness of the Registration Statement shall be in effect and no proceedings for that purpose shall be pending before or threatened by the SEC;
- our common stock shall have been accepted for listing on the NYSE or another national securities exchange approved by DXC, subject to official notice of issuance;
- DXC shall have received a written opinion of Skadden Arps that is in form and substance reasonably acceptable to DXC, and which shall remain in full force and effect, regarding the qualification of the Spin-Off as tax-free for U.S. federal income tax purposes under Sections 355, 361 and 368(a)(1)(D) of the Code;
- the Internal Reorganization shall have been completed;
- the Perspecta Payment shall have been made to DXC;
- no order, injunction or decree issued by any governmental authority of competent jurisdiction or other legal restraint or prohibition preventing consummation of the Distribution shall be in effect, and no other event outside the control of DXC shall have occurred or failed to occur that prevents the consummation of the Distribution;

- prior to the Distribution Date, this Information Statement shall have been mailed to the holders of DXC common stock as of the Record Date;
- DXC shall have duly elected the individuals to be listed as members of our post-Distribution Board of Directors in this Information Statement, and such individuals shall be the members of our Board of Directors immediately after the Distribution; and
- prior to the Distribution Date, the board of directors of DXC shall have obtained opinions from a nationally recognized valuation firm, in form and substance satisfactory to DXC, with respect to the capital adequacy and solvency of each of DXC and Perspecta after giving pro forma effect to the Distribution and the Perspecta Payment and the Mergers.

We are not aware of any material federal, foreign or state regulatory requirements with which we must comply, other than SEC rules and regulations, or any material approvals that we must obtain, other than the approval for listing of our common stock and the SEC's declaration of the effectiveness of the Registration Statement, in connection with the Distribution.

Trading Market and Symbol

We intend to file an application to list our common stock on the NYSE under the symbol "PRSP." We anticipate that, on or shortly before the Record Date, trading of shares of our common stock will begin on a "when-issued" basis and will continue up to and including the Distribution Date, and we expect that "regular-way" trading of our common stock will begin the first trading day after the Distribution Date.

We anticipate that, beginning on or shortly before the Record Date, there will be two markets in DXC common stock: (1) a "regular-way" market on which shares of DXC common stock will trade with the entitlement for the purchaser of DXC common stock to receive shares of our common stock to be distributed in the Distribution, and (2) an "ex-dividend" market on which shares of DXC common stock will trade without the entitlement for the purchaser of DXC common stock to receive shares of our common stock. If you hold shares of DXC common stock on the Record Date and then decide to sell any shares of DXC common stock before the Distribution Date, you should make sure your stockbroker, bank or other nominee understands whether you want to sell your shares of DXC common stock with or without your entitlement to Perspecta common stock pursuant to the Distribution.

Tax Consequences to DXC Stockholders

It is a condition to the Distribution that DXC receive a written opinion of Skadden Arps, in form and substance reasonably acceptable to DXC, to the effect that, on the basis of the facts and customary representations and assumptions set forth or referred to in such opinion, for U.S. federal income tax purposes, (i) the Spin-Off

should qualify as a “reorganization” within the meaning of Section 368(a)(1)(D) of the Code, (ii) DXC should recognize no gain or loss under Section 361(c) of the Code upon the Distribution, and (iii) DXC’s stockholders should recognize no gain or loss under Section 355(a) of the Code upon the receipt of Perspecta common stock in the Distribution. Assuming that the Spin-Off so qualifies, for U.S. federal income tax purposes, no gain or loss should be recognized by, or be includible in the income of, a U.S. holder (as defined in “Material U.S. Federal Income Tax Consequences of the Distribution”) as a result of the Distribution, except for any gain or loss attributable to the receipt of cash in lieu of fractional shares of Perspecta common stock. In addition, the aggregate tax basis of the DXC common stock and our common stock (including any fractional share interest in our common stock for which cash is received) held by each U.S. holder immediately after the Distribution should be the same as the aggregate tax basis of the DXC common stock held by the U.S. holder immediately before the Distribution, allocated between the DXC common stock and our common stock in proportion to their relative fair market values on the date of the Distribution (subject to certain adjustments). See “Material U.S. Federal Income Tax Consequences of the Distribution.”

We urge you to consult your tax advisor as to the specific tax consequences of the Distribution to you, including the effect of any U.S. federal, state, local or foreign tax laws and of changes in applicable tax laws.

Relationship with DXC after the Spin-Off

Following the Distribution, DXC will not own any of our shares and we will operate independently of DXC. In addition, we do not expect to depend on DXC to conduct our business following the Distribution apart from certain limited transitional support services as well as IP licenses and non-U.S. agency services. In order to govern the ongoing relationships between us and DXC after the Spin-Off and to facilitate an orderly transition, we and DXC intend to enter into agreements providing for various services and rights following the Spin-Off and under which we and DXC will agree to indemnify each other against certain liabilities arising from our respective businesses. These agreements include:

- the Separation and Distribution Agreement that will set forth DXC’s and our agreements regarding the principal actions that both parties will take in connection with the Spin-Off and aspects of our relationship following the Spin-Off;
- a Transition Services Agreement pursuant to which DXC and we will provide each other specified services to help ensure an orderly transition following the Spin-Off;
- a Tax Matters Agreement that will govern the respective rights, responsibilities and obligations of DXC and us after the Spin-Off with respect to all tax matters and will include restrictions to preserve the tax-free status of the Distribution;

- an Employee Matters Agreement that will address employment, compensation and benefits matters, including the allocation and treatment of assets and liabilities arising out of employee compensation and benefits programs in which our employees participated prior to the Distribution;
- a Real Estate Matters Agreement that will address the sharing and leasing of facilities owned by DXC and/or us following the Distribution Date;
- an Intellectual Property Matters Agreement that will govern our rights to IP developed by DXC and us including limitations on our ability to use IP for certain purposes and on behalf of certain customers other than the U.S. federal and certain state and local governments; and
- a Non-U.S. Agency Agreement that will appoint DXC as our exclusive agent outside the U.S. for certain non-U.S. customers.

We describe these arrangements in greater detail under “The Separation and Distribution Agreement and Ancillary Agreements” and “Certain Relationships and Related Party Transactions—Agreements with DXC,” and describe some of the risks of these arrangements under “Risk Factors—Risks Relating to the Spin-Off and the Mergers.”

Dividend Policy

We currently anticipate paying quarterly cash dividends following the Spin-Off. The timing, declaration, amount and payment of any future dividends to our stockholders will fall within the discretion of our Board of Directors and will depend on many factors, including our financial condition, results of operations and capital requirements, legal requirements, regulatory constraints, industry practice and other business considerations that our Board of Directors deems relevant from time to time. In addition, the terms of the agreements governing our debt or debt that we may incur in the future may restrict or limit the payments of dividends. See “Dividend Policy.”

Transfer Agent

EQ Shareowner Services.

Risk Factors

We face both general and specific risks and uncertainties relating to the USPS business and the Vencore business. We also face risks relating to the Spin-Off and Mergers. Following the Spin-Off, we will also face risks associated with being an independent, publicly-traded company. Accordingly, you should read carefully the information set forth under “Risk Factors.”

Summary of the Mergers

Structure of the Mergers

Under the Merger Agreement and in accordance with Delaware law, KeyPoint Merger Sub will merge with and into KGS Holding Corp., with KGS Holding Corp. surviving the KeyPoint Merger, and concurrently Vencore Merger Corp will merge with and into Vencore

Holding Corp., with Vencore Holding Corp. surviving the First Vencore Merger, and immediately after the KeyPoint Merger and First Vencore Merger, Vencore Holding Corp. will merge with and into Vencore Merger LLC, with Vencore Merger LLC surviving the Second Vencore Merger. As a result of the Mergers, Vencore Merger LLC and KGS Holding Corp. will become wholly owned subsidiaries of Perspecta. For details of the structure of the transaction, see “The Merger Agreement.”

Consideration for the Mergers

At the effective time of the First Vencore Merger, all of the outstanding shares of Vencore Holding Corp. common stock will be automatically converted into the right to receive, in the aggregate, merger consideration consisting of (1) \$400 million in cash (the “Cash Merger Consideration”) and (2) shares of Perspecta common stock representing in the aggregate approximately 11.38% of the total number of shares of Perspecta common stock outstanding immediately after the effective time of the First Vencore Merger (on a fully diluted basis, excluding certain unvested equity incentive awards) (the “Vencore Stock Merger Consideration”).

At the effective time of the KeyPoint Merger, all of the outstanding shares of KGS Holding Corp. common stock will be automatically converted into the right to receive, in the aggregate, merger consideration consisting of shares of Perspecta common stock representing in the aggregate approximately 2.65% of the total number of shares of Perspecta common stock outstanding immediately after the effective time of the KeyPoint Merger (on a fully diluted basis, excluding certain unvested equity incentive awards) (the “KeyPoint Stock Merger Consideration”, and together with the Vencore Stock Merger Consideration, the “Stock Merger Consideration”) and giving effect to the Vencore Merger.

Following the effective time of the Mergers, all shares of Vencore Holding Corp. common stock and KGS Holding Corp. common stock will be automatically cancelled and cease to exist.

Approval of the Mergers

No vote by DXC stockholders is required or is being sought in connection with the Mergers. DXC, as the sole stockholder of Perspecta, has already approved the Mergers. The respective boards of directors of each of Vencore Holding Corp. and KGS Holding Corp. have approved the Merger Agreement, the Mergers and all other actions necessary to consummate the Mergers. Each of the Vencore Stockholder and the KeyPoint Stockholder also has delivered written consents approving the Merger Agreement, the Mergers and all other actions necessary to consummate the Mergers, in accordance with the Delaware General Corporation Law (“DGCL”).

Conditions to the Mergers

The obligations of each party to consummate the Mergers are subject to the satisfaction or waiver (to the extent permitted by applicable

law) of closing conditions that are contained in the Merger Agreement, including:

- the Spin-Off having occurred and the Perspecta Payment having been paid pursuant to the terms of the Separation and Distribution Agreement;
- the receipt of all consents, approvals and authorizations by governmental authorities;
- the expiration or termination of any required waiting period under the HSR Act, which condition was satisfied on December 22, 2017;
- the effectiveness of the registration statement of which this Information Statement forms a part in connection with the Distribution, and the approval for listing on the NYSE or NASDAQ of the shares of Perspecta common stock to be issued in the Distribution and the Mergers, subject to official notice of issuance;
- the absence of any order issued by any governmental authority of competent jurisdiction or other legal impediment preventing or making illegal the consummation of the Mergers; and
- DXC shall have received a written opinion of Skadden Arps, that is in form and substance reasonably acceptable to DXC, and which shall remain in full force and effect, regarding the qualification of the Spin-Off as tax-free for U.S. federal income tax purposes under Sections 355, 361 and 368(a)(1)(D) of the Code.

In addition, DXC, Perspecta, Vencore Merger Corp, Vencore Merger LLC and KeyPoint Merger Sub's obligations to consummate the Mergers are subject to the satisfaction or waiver (to the extent permitted by applicable law) of the following conditions:

- certain fundamental representations and warranties of Vencore Holding Corp. and KGS Holding Corp., disregarding all materiality or material adverse effect qualifications, being true and correct in all respects in each case as of the effective time of the Mergers as if made as of the effective time of the Mergers;
- the representations and warranties of Vencore Holding Corp., KGS Holding Corp., the Vencore Stockholder and the KeyPoint Stockholder, disregarding all materiality or material adverse effect qualifications, being true and correct in all respects in each case as of the effective time of the Mergers as if made as of the effective time of the Mergers (except to the extent such representations and warranties address matters as of a particular date, in which case as of such date), except where the failure to be true and correct has not had or would not, individually or in the aggregate, reasonably be expected to be a Vencore/KeyPoint Material Adverse Effect (as defined below—see “The Merger

Agreement”) (other than the certain fundamental representations and warranties which must be true and correct in all respects);

- the covenants and agreements being performed by the stockholders of Vencore Holding Corp., KGS Holding Corp., the Vencore Stockholder and the KeyPoint Stockholder in all material respects at or prior to the effective time of the Mergers (other than certain covenants and agreements which must be performed in all respects, subject to de minimis exceptions);
- the delivery by Vencore Holding Corp. and KGS Holding Corp. of an officer’s certificate certifying the satisfaction of the above conditions, and the delivery by the Vencore Stockholder and KeyPoint Stockholder of a certificate certifying the satisfaction of the above conditions;
- the absence of a Vencore/KeyPoint Material Adverse Effect since June 30, 2017; and
- the termination of certain stockholder agreements between Vencore Holding Corp. and the Vencore Stockholder and KGS Holding Corp. and the KeyPoint Stockholder, without liability to Perspecta or its subsidiaries following the effective time of the Mergers.

Furthermore, the obligations of Vencore Holding Corp. and KGS Holding Corp. to consummate the Mergers are subject to the satisfaction or waiver (to the extent permitted by applicable law) of the following conditions:

- certain representations and warranties of DXC, Perspecta, Vencore Merger Corp, Vencore Merger LLC and KeyPoint Merger Sub, disregarding all materiality or material adverse effect qualifications, being true and correct in all respects in each case as of the effective time of the Mergers as if made as of the effective time of the Mergers (except to the extent such representations and warranties address matters as of a particular date, which must be true and correct as of the specified date);
- the representations and warranties of DXC, Perspecta, Vencore Merger Corp., Vencore Merger LLC and KeyPoint Merger Sub, disregarding all materiality or material adverse effect qualifications, being true and correct in all respects in each case as of the effective time of the Mergers as if made as of the effective time of the Mergers (except to the extent such representations and warranties address matters as of a particular date, in which case as of such date), except where the failure to be true and correct has not had or would not, individually or in the aggregate, reasonably be expected to be an Perspecta Material Adverse Effect (as defined—see “The Merger Agreement”) (other than the certain representations and warranties which must be true and correct in all respects);

- the covenants and agreements being performed by DXC, Perspecta, Vencore Merger Corp, Vencore Merger LLC and KeyPoint Merger Sub in all material respects at or prior to the effective time of the Mergers;
- the delivery by Perspecta of an officer's certificate certifying the satisfaction of the above conditions;
- the absence of any Perspecta Material Adverse Effect since June 30, 2017; and
- the entrance into and delivery of the applicable Transaction Agreements by DXC and Perspecta, which are in full force and effect.

To the extent permitted by applicable law, each party to the Merger Agreement may waive, at its sole discretion, any of the conditions to its respective obligations to complete the Mergers.

Termination of the Merger Agreement

The Merger Agreement may be terminated at any time before the effective time of the Mergers by the mutual written consent of DXC, Vencore Holding Corp. and KGS Holding Corp. It may also be terminated by either DXC or Vencore Holding Corp. and KGS Holding Corp. if:

- the effective time of the Mergers has not occurred on or before October 1, 2018 unless the failure to effect the Merger by that date is due to the failure of the party seeking to terminate the Merger Agreement to perform its obligations set forth in the Merger Agreement;
- if any law or order of any governmental authority preventing or prohibiting the completion of the Mergers has become final and nonappealable; or
- if the Perspecta Payment or Spin-Off are incapable of occurring because the conditions set forth in the Separation and Distribution Agreement are incapable of being satisfied prior to October 1, 2018.

The Merger Agreement may also be terminated by:

- the Vencore Stockholder and the KeyPoint Stockholder at any time before the effective time of the Mergers if there has been a material breach by DXC or Perspecta of any of its representations, warranties or covenants or agreements contained in the Merger Agreement, or any such representation and warranty has become untrue in any material respect, and such breach or inaccuracy has not been cured within 30 business days following notice of such breach or there has been a material breach by DXC or Perspecta of their obligations to consummate the Spin-Off and pay the Perspecta Payment (so long as Vencore Stockholder and KeyPoint Stockholder is not then in material breach of any covenant, representation or warranty or other

agreement contained in the Merger Agreement which breach would cause the closing conditions of DXC or Perspecta not to be satisfied if the closing were to occur at the time of termination); or

- DXC at any time before the effective time of the Mergers if there has been a material breach by Vencore Stockholder and KeyPoint Stockholder of any of its representations, warranties or covenants or agreements contained in the Merger Agreement, or any such representation and warranty has become untrue in any material respect, and such breach or inaccuracy has not been cured within 30 business days following notice of such breach (so long as DXC is not then in material breach of any covenant, representation or warranty or other agreement contained in the Merger Agreement which breach would cause the closing conditions of Vencore Stockholder and KeyPoint Stockholder or the stockholder of Vencore Stockholder and KeyPoint Stockholder that are party to the Merger Agreement not to be satisfied if the closing were to occur at the time of termination).

Termination Fees and Expenses

In the event the Merger Agreement is terminated because the Spin-Off is not completed in accordance with the terms and conditions of the Separation Agreements on or before October 1, 2018, a termination fee of \$50 million may be payable by DXC to Vencore Holding Corp. and KGS Holding Corp. upon termination of the Merger Agreement under specified circumstances.

Accounting Treatment of the Mergers

The combined financial information presented in the Information Statement was prepared using the purchase method of accounting, with Perspecta treated as the “acquirer” of Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries for accounting purposes.

SUMMARY HISTORICAL COMBINED FINANCIAL DATA OF USPS

The following tables summarize USPS's historical combined financial and other data for the periods and as of the dates indicated.

The summary historical combined financial data for the years ended October 31, 2014, October 31, 2015 and October 31, 2016, for the five months ended March 31, 2017, and as of October 31, 2015, October 31, 2016 and March 31, 2017, was derived from USPS's audited combined financial statements and notes thereto included elsewhere in this Information Statement. The summary historical condensed combined financial data for the nine months ended October 31, 2016 and December 31, 2017, and as of December 31, 2017, was derived from USPS's unaudited interim condensed combined financial statements and notes thereto included elsewhere in this Information Statement. USPS's unaudited combined interim financial statements were prepared on a basis consistent with USPS's audited combined financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair statement of the financial information. Additionally, on April 1, 2017, CSC, HPE, Everett SpinCo, Inc. ("Everett"), and New Everett Merger Sub Inc., a wholly-owned subsidiary of Everett ("Merger Sub"), completed the strategic combination of CSC with HPES to form DXC (the "DXC Merger"). At the time of the DXC Merger, Everett was renamed DXC, and as a result of the DXC Merger, CSC became a direct wholly owned subsidiary of DXC. The transaction was determined to be a reverse merger and CSC was determined to be the accounting acquirer of DXC. Therefore, for accounting purposes DXC, and in turn USPS, was subject to purchase price allocation adjustments as of April 1, 2017. These adjustments are reflected in the post-DXC Merger period results for USPS, therefore, post- DXC Merger period results for USPS are not comparable to pre- DXC Merger results. Additionally, as described in more detail in Note 2 to the USPS unaudited interim condensed combined financial statements for the nine month period ended December 31, 2017, the amount of such purchase price allocation adjustments are subject to revision for up to one year from the acquisition date; such revisions may result in further changes to the fair values allocated to various assets and liabilities as of April 1, 2017, including, but not limited to, property and equipment and other assets as well as related depreciation and amortization expense (and corresponding changes to income before taxes, income tax benefit and net income) for the nine months ended December 31, 2017.

Summary historical financial data for USPS for the fiscal years ended October 31, 2013 and 2012 are not available for any combined balance sheet data or combined statement of operations data other than revenues because requisite stand-alone financial records for those periods for USPS were not maintained by the former parent companies of the enterprise services business, HPE (between November 12, 2015 and March 31, 2017) and The Hewlett-Packard Company (prior to November 1, 2015). Revenue information for USPS for those periods does not include information that would enable us to quantify the component of our revenues during the fiscal years ended October 31, 2013 and 2012 that consisted of certain consulting revenues as to which records were maintained outside of the enterprise services business. Due to the unavailability or lack of comparability of that information we have omitted USPS information prior to the periods presented.

USPS's historical results are not necessarily indicative of future operating results, and the results for any interim period are not necessarily indicative of the results that may be expected for a full fiscal year. Because the data in these tables is only a summary and does not provide all of the data contained in the USPS combined financial statements, the information should be read in conjunction with "Selected Historical Combined Financial Data of USPS," "Management's Discussion and Analysis of Financial Condition and Results of Operations of USPS" and USPS's combined financial statements and the related notes thereto included elsewhere in this Information Statement.

	Predecessor					Successor
	As of or for the Twelve Months Ended			As of or for the Five Months Ended	As of or for the Nine Months Ended	As of or for the Nine Months Ended
	October 31, 2014	October 31, 2015	October 31, 2016	March 31, 2017	October 31, 2016	December 31, 2017
	Historical			Historical	Historical (Unaudited)	Historical (Unaudited)
(in millions)						
Combined Statement of Operations data (1):						
Revenue	\$2,955	\$2,585	\$2,732	\$1,073	\$2,103	\$2,104
Income (loss) before taxes	221	(51)	129	59	110	163
Net income (loss)	\$ 138	\$ (29)	\$ 80	\$ 36	\$ 68	\$ 176
Combined Balance Sheet data:						
Total assets	<u>\$1,416</u>	<u>\$1,512</u>	<u>\$1,234</u>	<u>\$1,073</u>	<u>\$1,234</u>	<u>\$3,746</u>
Current capital lease liability	111	127	145	139	145	158
Non-current capital lease liability	<u>224</u>	<u>223</u>	<u>215</u>	<u>155</u>	<u>215</u>	<u>143</u>
Total capital lease liability	<u>\$ 335</u>	<u>\$ 350</u>	<u>\$ 360</u>	<u>\$ 294</u>	<u>\$ 360</u>	<u>\$ 301</u>
Combined Statements of Cash Flows data:						
Cash flows provided by operating activities	\$ 487	\$ 100	\$ 495	\$ 52	\$ 410	\$ 347
Cash flows used in investing activities	\$ (30)	\$ (18)	\$ (21)	\$ (10)	\$ (11)	\$ (17)
Cash flows used in financing activities	\$ (457)	\$ (82)	\$ (474)	\$ (42)	\$ (399)	\$ (330)
Non-GAAP Measures:						
Adjusted EBITDA (2)	\$ 510	\$ 265	\$ 459	\$ 183	\$ 359	\$ 344

- (1) Certain USPS consulting activities were historically conducted pursuant to contracts with USPS's former parent, HPE, rather than USPS or its subsidiaries. Because those contracts were not novated to USPS until after October 31, 2016, no information regarding USPS consulting activities performed pursuant to those contracts has been presented in USPS's results of operations for the annual periods ending October 31, 2014, 2015 or 2016 and only a portion of the revenues associated with those contracts is presented in USPS's results of operations above for the five month period ended March 31, 2017. Periods subsequent to March 31, 2017 reflect all of the USPS consulting activities performed pursuant to those contracts in USPS's results of operations. For comparability purposes, the revenue and income before taxes related to these contracts not reflected in our results of operations for the periods referenced above are set forth below:

(in millions)	Twelve Months Ended			Five Months Ended	Nine Months Ended
	October 31, 2014	October 31, 2015	October 31, 2016	March 31, 2017	October 31, 2016
Revenue	\$154	\$141	\$136	\$10	\$104
Income before taxes	\$ 31	\$ 39	\$ 42	\$ 3	\$ 33

- (2) Adjusted EBITDA is a non-GAAP measure and is subject to limitations described below in the section "Non-GAAP Financial Measures."

Non-GAAP Measures—Adjusted EBITDA

The following table presents a reconciliation of net income (loss) to Adjusted EBITDA:

(in millions)	Predecessor					Successor
	Twelve Months Ended			Five Months Ended	Nine Months Ended	Nine Months Ended
	October 31, 2014	October 31, 2015	October 31, 2016	March 31, 2017	October 31, 2016	December 31, 2017
Net income (loss)	\$138	\$ (29)	\$ 80	\$ 36	\$ 68	\$176
Income tax expense (benefit)	83	(22)	49	23	42	(13)
Interest expense, net	33	29	31	10	23	7
Depreciation and amortization	227	214	225	73	167	116
Restructuring costs	12	22	20	—	17	10
Transaction, integration and separation costs	—	28	34	34	29	44
Share-based compensation	17	23	20	7	13	4
Adjusted EBITDA (a)(b)	<u>\$510</u>	<u>\$265</u>	<u>\$459</u>	<u>\$183</u>	<u>\$359</u>	<u>\$344</u>

- (a) Includes corporate allocations as set forth below:

(in millions)	Predecessor					Successor
	Twelve Months Ended			Five Months Ended	Nine Months Ended	Nine Months Ended
	October 31, 2014	October 31, 2015	October 31, 2016	March 31, 2017	October 31, 2016	December 31, 2017
Corporate dedicated and corporate shared expenses (excluding share-based compensation)	\$140	\$134	\$120	\$48	\$90	\$94
Corporate global functions ...	\$ 15	\$ 12	\$ 12	\$ 3	\$ 9	\$15

- (b) Includes the impact of valuation adjustments to preliminary estimates of fair value of certain USPS deferred revenue balances recorded in connection with the DXC Merger which reduced Adjusted EBITDA by \$8 million during the nine months ended December 31, 2017. Perspecta's New Credit Facilities are expected to have provisions that exclude the future impact of this adjustment in the calculation of financial metrics and covenants.

In addition to net income (loss) determined in accordance with U.S. generally accepted accounting principles (“GAAP”) USPS uses an Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”) measure.

Adjusted EBITDA is a non-GAAP measure that USPS uses to evaluate financial performance and is one of the measures used in assessing management performance. USPS believes that this non-GAAP financial measure provides useful information to investors regarding our results of operations as it provides another measure of our profitability, our ability to service our planned debt, and is considered an important measure by financial analysts covering USPS and peer companies in our industry. Additionally, Adjusted EBITDA is an important measure associated with the proposed credit facility. The USPS definition of Adjusted EBITDA is further described below, and may differ from other companies.

The reconciliation from net income (loss) to Adjusted EBITDA includes certain adjustments such as:

- Restructuring—reflects costs, net of reversals, related to workforce optimization and real estate charges.
- Transaction, separation and integration-related costs—reflects costs related to integration planning, financing, and advisory fees associated with the separation of HP into two separate companies in 2015 and merger of the newly separated HP enterprise services business with CSC in 2017, forming DXC.
- Share-based compensation—represents the share-based compensation attributable to USPS based on the awards and terms previously granted under the incentive compensation plan to USPS’s employees and an allocation of Parent’s corporate and shared functional employee expenses.

The non-GAAP financial measures above do not reflect any adjustment for the anticipated cost improvement resulting from the execution of labor, procurement and capital optimization programs in USPS, which USPS expects will result in \$20 million of recurring, annual run-rate cost improvement in fiscal 2019. USPS believes the one-time costs to realize these recurring annual cost savings will be approximately \$10 million.

SUMMARY HISTORICAL COMBINED FINANCIAL DATA OF VENCORE

The following tables summarize the historical combined financial and other data of Vencore for the periods and as of the dates indicated. As used in this Information Statement, all references to “Vencore” are to Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries on a combined basis.

This summary historical combined financial data for the years ended December 31, 2015, December 31, 2016 and December 31, 2017, and as of December 31, 2016 and December 31, 2017, were derived from Vencore’s audited combined financial statements and notes thereto, included elsewhere in this Information Statement. The summary historical combined financial data for the year ended December 31, 2014 and as of December 31, 2015 are not included in this Information Statement.

Historical results are not necessarily indicative of future operating results, and the results for any interim period are not necessarily indicative of the results that may be expected for a full fiscal year. Because the data in this table is only a summary and does not provide all of the data contained in our combined financial statements, the information should be read in conjunction with “Selected Historical Combined Financial Data of Vencore,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Vencore” and its combined financial statements and the related notes thereto included elsewhere in this Information Statement.

	As of or for the Twelve Months Ended			
	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
	Historical			
(in millions)				
Combined Statement of Operations data:				
Revenue	\$1,149	\$1,399	\$1,405	\$1,376
Income before income taxes and equity in net losses of affiliate	(114)	44	45	17
Net (loss) income	(114)	23	20	26
Combined Balance Sheet Data:				
Total assets		\$1,069	\$1,023	\$1,031
Short-term debt and current maturities of long-term debt		27	18	23
Long-term debt, net of current maturities		<u>745</u>	<u>860</u>	<u>948</u>
Total debt		772	878	971
Combined Statements of Cash Flows data:				
Cash flows provided by operating activities	\$ 1	\$ 65	\$ 98	\$ 62
Cash flows (used in) provided by investing activities ...	(186)	16	(15)	(8)
Cash flows provided by (used in) financing activities ...	164	(48)	(93)	(25)

SUMMARY PRO FORMA CONDENSED COMBINED FINANCIAL AND OTHER DATA OF PERSPECTA

The following tables summarize our pro forma condensed combined financial and other data for the periods and as of the dates indicated.

We have derived the summary pro forma condensed combined financial and other data for the periods and as of the dates indicated from our pro forma condensed combined financial statements and the notes thereto included elsewhere in this Information Statement.

Our pro forma condensed combined financial and other data are not necessarily indicative of the results we would have realized had the Spin-Off and the Merger been consummated on those dates, or of future operating results, and the results for any interim period are not necessarily indicative of the results that may be expected for a full fiscal year. Because the data in this table is only a summary and does not provide all of the data contained in our pro forma condensed combined financial statements, the information should be read in conjunction with our pro forma condensed combined financial statements and the related notes thereto included elsewhere in this Information Statement.

As used in this Information Statement, all references to “Vencore” are to Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries on a combined basis.

The following unaudited summary pro forma condensed combined financial information presents the pro forma financial information of Perspecta based upon the historical financial statements of each of USPS and Vencore, after giving effect to the Spin-off and Mergers as further described in the section of this document entitled “The Transactions.” The unaudited summary condensed combined pro forma financial information and other data are intended to reflect the impact of the Spin-Off and the Mergers on USPS’s historical combined financial statements as if the relevant transactions occurred on December 31, 2017 for purposes of the unaudited pro forma condensed combined balance sheet and November 1, 2015 for purposes of the unaudited pro forma condensed combined statements of operations data. The unaudited pro forma condensed combined financial information and other data of Perspecta have been prepared using, and should be read in conjunction with (i) USPS’s audited historical combined financial statements and related notes as of and for the twelve months ended October 31, 2016, (ii) USPS’s audited historical combined financial statements and related notes as of and for the five months ended March 31, 2017, (iii) USPS’s unaudited historical combined financial statements and related notes as of and for the nine months ended December 31, 2017, (iv) Vencore’s audited historical combined financial statements and related notes as of and for the year ended December 31, 2016, (v) Vencore’s unaudited historical combined financial statements as of and for the five months ended March 31, 2017, (vi) Vencore’s audited historical combined financial statements and related notes as of and for the year ended December 31, 2017, and (vii) Vencore’s unaudited historical combined financial statements for the nine months ended December 31, 2017. The unaudited pro forma condensed combined financial information is presented for informational purposes only and is 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 Spin-Off and Mergers been completed as of the dates set forth in the pro forma condensed combined 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 condensed combined financial statements for a number of reasons, including differences between the assumptions used to prepare the pro forma condensed combined financial statements and actual amounts. This information is only a summary and has been derived from and should be read in conjunction with the more detailed unaudited pro forma 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.

(in millions)	Historical USPS as of and for the Nine Months Ended December 31, 2017	Effect of Spin-off	Spin-off adjusted USPS as of and for the Nine Months Ended December 31, 2017	Historical Vencore as of and for the Nine Months Ended December 31, 2017	Effect of Mergers	Pro Forma Combined
Revenues	\$2,104	\$ —	\$2,104	\$1,041	\$ —	\$3,145
Income (loss) before income taxes	163	(19)	144	10	(52)	102
Income tax benefit	\$ (13)	(7)	(20)	(13)	(16)	(49)
Net income (loss)	\$ 176	\$ (12)	\$ 164	\$ 22	\$ (35)	\$ 151
Total Assets	\$3,746	\$ 16	\$3,762	\$1,031	\$1,827	\$6,620
Total debt (including capital lease obligations)	\$ 301	\$1,079	\$1,380	\$ 973	\$ 484	\$2,837

(in millions)	Historical USPS for the Five Months Ended March 31, 2017	USPS Purchase Accounting Adjustments	Effect of Spin-off	Spin-off adjusted USPS for the Five Months Ended March 31, 2017	Historical Vencore for the Five Months Ended March 31, 2017	Effect of Mergers	Pro Forma Combined
Revenues	\$1,073	\$ —	\$ —	\$1,073	\$562	\$ —	\$1,635
Income (loss) before income taxes	59	16	(18)	57	17	(34)	40
Income tax expense (benefit)	23	6	(7)	22	11	(14)	19
Net income (loss)	36	10	(11)	35	6	(20)	21

(in millions)	Historical USPS for the Twelve Months Ended October 31, 2016	USPS Purchase Accounting Adjustments	Effect of Spin-off	Spin-off adjusted USPS for the Twelve Months Ended October 31, 2016	Historical Vencore for the Twelve Months Ended December 31, 2016	Effect of Mergers	Pro Forma Combined
Revenues	\$2,732	\$ —	\$ —	\$2,732	\$1,405	\$ —	\$4,137
Net income (loss) before income taxes	129	38	(45)	122	45	(50)	117
Income tax expense (benefit)	49	15	(18)	46	25	(20)	51
Net income (loss)	80	23	(27)	76	20	(30)	66

Non-GAAP Financial Measures

This Information Statement contains financial measures that are not calculated in accordance with GAAP and which are derived from the condensed combined financial information of USPS and Vencore. These non-GAAP financial measures include earnings before interest, taxes, depreciation and amortization (“EBITDA”) and Adjusted EBITDA.

We present these non-GAAP financial measures to provide investors with meaningful supplemental financial information, in addition to the financial information presented on a GAAP or pro forma basis. These non-GAAP financial measures exclude certain items from GAAP or pro forma results that management believes are not indicative of core operating performance. Management believes these non-GAAP measures provide investors supplemental information about the financial performance of USPS and Vencore exclusive of the impacts of corporate wide strategic decisions. Management believes that adjusting for these items provides investors with additional measures to evaluate the financial performance of our core business operations on a comparable basis from period to period. Management believes the non-GAAP measures provided are also considered important measures by financial analysts covering the company as equity research analysts continue to publish estimates and research notes based on our non-GAAP commentary.

There are limitations to the use of the non-GAAP financial measures presented in this Information Statement. 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 between companies.

Additionally, as discussed further in the “Summary Historical Combined Financial Data of USPS” section above, USPS was subject to purchase price allocation adjustments as of April 1, 2017. These adjustments are reflected in the post-acquisition period results for USPS as well as in the Non-GAAP information presented below for the same period.

Non-GAAP financial measures and the respective most directly comparable financial measures calculated and presented in accordance with GAAP include:

	Nine Months Ended	Five Months Ended	Twelve Months Ended
Pro Forma Combined (in millions)	December 31, 2017	March 31, 2017	October 31, 2016
Net income	\$151	\$ 21	\$ 66
EBITDA	\$379	\$195	\$545
Adjusted EBITDA	\$490	\$245	\$637

Reconciliation of Non-GAAP Financial Measures

Our non-GAAP adjustments include:

- Restructuring—reflects costs, net of reversals, related to workforce optimization and real estate charges.
- Debt extinguishment costs—reflects costs incurred to prepay certain historical indebtedness including debt repaid by Vencore.
- Transaction, separation, and integration-related costs—reflects costs related to separation, integration planning, financing, and advisory fees associated with the Spin-Off and the Mergers, and other mergers and acquisitions.
- Pension and other post-employment benefits (“OPEB”) actuarial and settlement losses—reflects pension and OPEB actuarial and settlement gains and losses from mark-to-market accounting.
- Share-based compensation—represents the share-based compensation expense recognized by USPS and Vencore.
- NBIB adjustment—represents costs associated with hiring, training and certain other activities pursuant to a services contract between Vencore and NBIB, in connection with accelerating the recruitment and training of investigators to support the expected increase in case work pursuant such contract. For purposes of calculating Consolidated EBITDA (as defined in the New Term Facility), an adjustment of up to \$25 million for these costs, on a trailing twelve month basis, is allowed pursuant to the terms of the New Term Facility. See “Description of Material Indebtedness—Term Loan Facilities and Revolving Credit Facility.”

The Separation and Distribution Agreement provides for certain cost structure protection of USPS activities identified as “corporate dedicated and corporate shared expenses” (the “USPS Corporate Expenses”), which are further described in “The Separation and Distribution Agreement and Ancillary Agreements” section of this information statement. The accompanying pro forma combined non-GAAP financial measures currently do not reflect any adjustment for the anticipated reduction in the USPS Corporate Expenses which are expected to equal the agreed upon annualized target of \$116 million as calculated for (i) the most recent three-month period for which financial information is reasonably available preceding the Distribution Date and (ii) the twelve months following the Distribution Date.

Additionally, the accompanying pro forma combined non-GAAP financial measures do not reflect the costs of integration activities or benefits that may result from the realization of anticipated first-year synergies which are discussed above in “Summary—The Transactions—Transaction Rationale—Synergies” and elsewhere in this Information Statement.

A reconciliation of net income (loss) to EBITDA and Adjusted EBITDA on a historical and pro forma basis for the nine months ended December 31, 2017 is as follows:

(in millions)	Historical USPS for the Nine Months Ended December 31, 2017	Historical Vencore for the Nine Months Ended December 31, 2017	Pro Forma Adjustments	Pro Forma Combined
Net income (loss)	\$176	\$ 22	\$ (47)	\$151
Income tax benefit	(13)	(13)	(23)	(49)
Interest expense, net (1)	7	62	15	84
Depreciation and Amortization (1)	116	23	54	193
EBITDA	286	94	(1)	379
Restructuring	10	4	—	14
Debt extinguishment costs	—	4	—	4
Transaction, separation and integration-related costs	44	13	(20)	37
Pension and OPEB Actuarial and Settlement Losses	—	—	27	27
Share-based compensation	4	3	(3)	4
NBIB	—	25	—	25
Adjusted EBITDA (2)(3)	<u>\$344</u>	<u>\$143</u>	<u>\$ 3</u>	<u>\$490</u>

- (1) On November 1, 2017, USPS entered into agreements to convert certain existing operating leases into capital leases. Interest expense, net and Depreciation and Amortization include \$1 million and \$2 million, respectively, related to converted leases.
- (2) Includes \$109 million of USPS Corporate Expenses (as defined above), of which \$15 million relates to global support functions that are expected to be largely eliminated on a prospective basis.
- (3) Includes the impact of valuation adjustments to preliminary estimates of fair value of certain USPS deferred revenue balances recorded in connection with the DXC Merger which reduced Adjusted EBITDA by \$8 million during the nine months ended December 31, 2017. Perspecta’s New Credit Facilities are expected to have provisions that exclude the future impact of this adjustment in the calculation of financial metrics and covenants.

A reconciliation of net income (loss) to EBITDA and Adjusted EBITDA on a historical and pro forma basis for the five months ended March 31, 2017 is as follows:

(in millions)	Historical USPS for the Five Months Ended March 31, 2017	Historical Vencore for the Five Months Ended March 31, 2017	Pro Forma Adjustments	Pro Forma Combined
Net income (loss)	\$ 36	\$ 6	\$ (21)	\$ 21
Income tax expense (benefit)	23	11	(15)	19
Interest expense, net	10	30	8	48
Depreciation and Amortization	73	14	20	107
EBITDA	142	61	(8)	195
Restructuring	—	2	—	2
Transaction, separation and integration-related costs	34	—	—	34
Pension and OPEB Actuarial and Settlement Losses	—	—	7	7
Share-based compensation	7	(2)	2	7
Adjusted EBITDA (1)	<u>\$183</u>	<u>\$ 61</u>	<u>\$ 1</u>	<u>\$245</u>

(1) Includes \$48 million of USPS Corporate Expenses (as defined above), of which \$3 million relates to global support functions that are expected to be largely eliminated on a prospective basis.

A reconciliation of net income (loss) to EBITDA and Adjusted EBITDA on a historical and pro forma basis for the twelve months ended October 31, 2016 is as follows:

(in millions)	Historical USPS for the Twelve Months Ended October 31, 2016	Vencore for the Twelve Months Ended December 31, 2016	Pro Forma Adjustments	Pro Forma Combined
Net income (loss)	\$ 80	\$ 20	\$ (34)	\$ 66
Income tax expense (benefit)	49	25	(23)	51
Interest expense, net	31	77	15	123
Depreciation and Amortization	225	35	45	305
EBITDA	385	157	3	545
Restructuring	20	6	—	26
Debt extinguishment costs	—	7	—	7
Transaction, separation and integration-related costs	34	—	—	34
Pension and OPEB Actuarial and Settlement Losses	—	3	2	5
Share-based compensation	20	—	—	20
Adjusted EBITDA (1)	<u>\$459</u>	<u>\$173</u>	<u>\$ 5</u>	<u>\$637</u>

(1) Includes \$120 million of USPS Corporate Expenses (as defined above), of which \$12 million relates to global support functions that are expected to be largely eliminated on a prospective basis.

RISK FACTORS

You should carefully consider all of the information in this Information Statement and each of the risks described below, which we believe are the principal risks that we face. Some of the risks relate to the businesses of Perspecta and Vencore, others to the Spin-Off, and others to the Mergers. Some risks relate principally to the securities markets and ownership of our common stock. As used in this Information Statement, all references to “Vencore” are to Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries on a combined basis.

Any of the following risks could materially and adversely affect our business, financial condition, results of operations and prospects and the actual outcome of matters as to which forward-looking statements are made in this Information Statement. In such case, the trading price of our common stock could decline, and you could lose all or part of your investment. While we believe we have identified and discussed below the material risks affecting our business, there may be additional risks and uncertainties that we do not presently know or that we do not currently believe to be material that may adversely affect our business, financial condition, results of operations and prospects in the future.

Past performance may not be a reliable indicator of future financial performance. Future performance and historical trends may be adversely affected by the following factors, as well as other variables, and should not be relied upon to project future period results.

Risks Relating to Perspecta’s Business

We depend on contracts with the U.S. government and its contractors for most of our revenue. If our relationships with such agencies are harmed, our future revenue and operating profits could materially decline.

The government, at the U.S. federal, state and local levels, is our primary customer, with revenue from contracts and orders, either as a prime contractor or a subcontractor, accounting for substantially all of our revenue on a pro forma basis for the year ended October 31, 2016. We believe the future growth of our business will continue to depend primarily on our ability to be awarded work under U.S. government contracts, as we expect this will be the primary source of substantially all of our revenue in the foreseeable future.

For this reason, any issue that compromises our relationship with the U.S. government generally or any U.S. government agency that we serve could cause our revenue to materially decline. Among the key factors in maintaining our relationship with U.S. government agencies are our performance on contracts and task orders, the strength of our professional reputation, compliance with applicable laws and regulations, and the strength of our relationships with customer personnel. In addition, the mishandling or the perception of mishandling of sensitive information, such as our failure to maintain the confidentiality of sensitive information associated with the work we perform for our customers, or even the existence of our business relationships with certain of our customers, including as a result of misconduct or other improper activities by our employees or subcontractors, or a failure to maintain adequate protection against security breaches, including those resulting from cyber-attack, could harm our relationship with U.S. government agencies. Our relationship with the U.S. government could also be damaged as a result of an agency’s dissatisfaction with work performed by us, a subcontractor, or other third parties who provide services or products for a specific project for any reason, including due to perceived or actual deficiencies in the performance or quality of our work, and we may incur additional costs to address any such situation and the profitability of that work might be impaired. In addition, to the extent our performance under a contract does not meet a U.S. government agency’s expectations, the customer may seek to terminate the contract prior to its scheduled expiration date, provide a negative assessment of our performance to government-maintained contractor past-performance repositories, fail to award us additional business under existing contracts or otherwise, and direct future business to our competitors. Further, negative publicity concerning government contractors in general or us in particular may harm our reputation with U.S. government contractors. To the extent our reputation or relationships with U.S. government agencies is impaired, our revenue and operating profits could materially decline.

U.S. government spending and mission priorities could change in a manner that adversely affects our business, financial condition, results of operations or prospects.

Substantially all of our revenue is generated from contracts with the U.S. government and its agencies. Our business, financial condition, results of operations or prospects could be adversely affected by several causes, including:

- budgetary constraints, including Congressionally mandated automatic spending cuts, affecting U.S. federal government spending generally, or specific agencies in particular, and changes in available funding;
- a shift in expenditures away from agencies or programs that we support, including a shift in the focus of government research programs to short-term activities that are more urgent, thus reducing funding for forward-looking research;
- U.S. government shutdowns due to a failure by elected officials to fund the government (such as the federal government shutdown in 2014 and the recent shutdown in January 2018, which could occur again in 2018 following the expiration of any continuing resolutions) or weather-related closures in the Washington, D.C. area (such as that which occurred in the winter of 2016) and other potential delays in the appropriations process;
- reduced U.S. federal government outsourcing of functions that we are currently contracted to provide, including as a result of increased insourcing by various U.S. federal government agencies due to changes in the definition of “inherently governmental” work, including proposals to limit contractor access to sensitive or classified information and work assignments;
- further efforts to improve efficiency and reduce costs affecting government programs;
- changes in government programs that we support or related requirements;
- a continuation of recent efforts by the federal government to decrease spending for management support service contracts;
- government agencies awarding contracts on a technically acceptable/lowest-cost basis to reduce expenditures;
- delays in the payment of our invoices by government payment offices;
- an inability by the federal government to fund its operations as a result of a failure to increase the federal government’s debt ceiling, a credit downgrade of U.S. government obligations or for any other reason; and
- changes in the political climate and general economic conditions, including a slowdown of the economy or unstable economic conditions and responses to conditions, such as emergency spending, that reduce funds available for other government priorities.

In addition, any disruption in the functioning of U.S. government agencies, including as a result of U.S. government closures and shutdowns, terrorism, war, natural disasters, destruction of or damage to U.S. government facilities, and other potential calamities could have a negative impact on our operations and cause us to lose revenue or incur additional costs due to, among other things, our inability to deploy our staff to customer locations or facilities as a result of such disruptions.

Further, a significant portion of our business depends upon continued U.S. federal government expenditures on intelligence, defense, space and federal civilian programs for which we provide support. These expenditures have not remained constant over time, have been reduced in certain periods and, recently, have been affected by the U.S. federal government’s efforts to improve efficiency and reduce costs affecting U.S. federal government programs generally.

The U.S. federal government budget deficits, the national debt, and the prevailing economic condition, and actions taken to address them, could continue to negatively affect U.S. federal government expenditures on intelligence, defense, space and federal civilian programs for which we provide support. In particular, the Budget Control Act of 2011 (as amended by the American Taxpayer Relief Act of 2012, the Bipartisan Budget Act of 2013 and the Bipartisan Budget Act of 2015) provides for automatic spending cuts (referred to as sequestration) totaling approximately \$1.2 trillion between 2013 and 2021, including an estimated \$500 billion in federal defense spending cuts over this time period. The Bipartisan Budget Act of 2015 set spending limits for the U.S. fiscal 2017 budget across the U.S. federal government and increased the prior discretionary spending caps in both defense and non-defense. While recent budget actions reflect a more measured and strategic approach to addressing the federal government's fiscal challenges, there remains uncertainty as to how exactly budget cuts, including sequestration, could impact us, and we are therefore unable to predict the extent of the impact of such cuts on our business, results of operations and prospects. In addition, in response to an Office of Management and Budget mandate, U.S. federal government agencies have reduced management support services spending in recent years. If federal awards for management support services continue to decline, our revenue and operating profits may materially decline and further efforts by the Office of Management and Budget to decrease federal awards for management support services could have a material and adverse effect on our business, results of operations and prospects.

These or other factors could cause our intelligence, defense, space and federal civilian customers to decrease the number or value of new contracts awarded generally and fail to award us new contracts, reduce their purchases under our existing contracts, exercise their right to terminate our contracts, or not exercise options to renew our contracts, any of which could cause a material decline in our revenue.

A delay in the completion of the U.S. federal government's budget process could have a material adverse effect on our revenue and operating results.

On an annual basis, the U.S. Congress must approve budgets that govern spending by each of the federal agencies we support. When the U.S. Congress is unable to agree on budget priorities, and thus is unable to pass the annual budget on a timely basis, the U.S. Congress typically enacts a continuing resolution. A continuing resolution allows U.S. federal government agencies to operate at spending levels approved in the previous budget cycle. Under a continuing resolution, funding may not be available for new projects. In addition, when U.S. federal government agencies operate on the basis of a continuing resolution, they may delay funding we expect to receive on contracts we are already performing. Any such delays would likely result in new business initiatives being delayed or canceled and could have a material adverse effect on our revenue and operating results. Furthermore, a failure to complete the budget process and fund government operations pursuant to a continuing resolution may result in a U.S. federal government shutdown, such as the recent shutdown in January 2018. Finally, while the U.S. Congress may pass a continuing resolution, similar to the continuing resolution passed in January 2018, it is possible no agreement on the annual budget may be reached and the U.S. government could shutdown again following the expiration of the continuing resolution that acted largely as a stopgap measure. A shutdown may result in us incurring substantial costs without reimbursement under our contracts and the delay or cancellation of key programs, which could have a material adverse effect on our revenue and operating results.

We are subject to a number of laws and regulations, including laws and regulations relating to procurement and anti-bribery laws. Our business and reputation could be adversely affected if we fail to comply with these laws.

We must comply with and are affected by laws and regulations relating to the award, administration and performance of U.S. government contracts. Government contract laws and regulations affect how we do business with our customers and impose certain risks and costs on our business. U.S. government contractors are subject to a greater risk of investigation, criminal prosecution, civil fraud, whistleblower lawsuits and other legal actions and liabilities than companies with solely commercial customers. A violation of specific laws and regulations, by us, our employees, others working on our behalf, a supplier or a venture partner, could harm our reputation and

result in the imposition of fines and penalties, the termination of our contracts, suspension or debarment from bidding on or being awarded contracts, loss of our ability to export products or services and civil or criminal investigations or proceedings. In some instances, these laws and regulations impose terms or rights that are different from those typically found in commercial transactions. For example, the U.S. federal government may terminate any of our government contracts and subcontracts either at its convenience or for default based on our performance. Upon termination for convenience of a fixed-price type contract, we normally are entitled to receive the purchase price for delivered items, reimbursement for allowable costs for work-in-process and an allowance for profit on the contract or adjustment for loss if completion of performance would have resulted in a loss.

Upon termination for convenience of a cost-reimbursable contract, we normally are entitled to reimbursement of allowable costs plus a portion of the fee. Allowable costs would include our cost to terminate agreements with our suppliers and subcontractors. The amount of the fee recovered, if any, is related to the portion of the work accomplished prior to termination and is determined by negotiation. We attempt to ensure that adequate funds are available by notifying the customer when its estimated costs, including those associated with a possible termination for convenience, approach levels specified as being allotted to its programs. As funds are typically appropriated on a fiscal-year basis and as the costs of a termination for convenience may exceed the costs of continuing a program in a given fiscal year, occasionally programs do not have sufficient funds appropriated to cover the termination costs were the U.S. federal government to terminate them for convenience. Under such circumstances, the U.S. federal government could assert that it is not required to appropriate additional funding.

A termination arising out of our default may expose us to liability and have a material adverse effect on our ability to compete for future contracts and orders. In addition, on those contracts for which we are teamed with others and are not the prime contractor, the U.S. federal government could terminate a prime contract under which we are a subcontractor, notwithstanding the quality of our services as a subcontractor. In the case of termination for default, the U.S. federal government could make claims to reduce the contract value or recover its procurement costs and could assess other special penalties. However, under such circumstances we have rights and remedial actions under laws and the Federal Acquisition Regulation (“FAR”).

U.S. federal government agencies, including the Defense Contract Audit Agency, the Defense Contract Management Agency and various agency Inspectors General, routinely audit and investigate government contractors. These agencies review a contractor’s performance under its contracts, its cost structure, its business systems and compliance with applicable laws, regulations and standards. The U.S. federal government has the ability to decrease or withhold certain payments when it deems systems subject to its review to be inadequate. Additionally, any costs found to be misclassified may be subject to repayment. We have unaudited and/or unsettled incurred cost claims related to past years, which places risk on our ability to issue final billings on contracts for which authorized and appropriated funds may be expiring. If an audit or investigation uncovers improper or illegal activities, we may be subject to civil or criminal penalties and administrative sanctions, including reductions of the value of contracts, contract modifications or terminations, forfeiture of profits, suspension of payments, penalties, fines and suspension, or prohibition from doing business with the U.S. government. In addition, we could incur significant legal costs and suffer serious reputational harm if allegations of impropriety were made against us. Similar government oversight exists in most other countries where we conduct business.

We are also subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended (“FCPA”), and similar anti-bribery laws in other jurisdictions. We 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. Our internal policies mandate compliance with all applicable anti-bribery laws. We require our employees, partners, subcontractors, agents, and others to comply with the FCPA and other anti-bribery laws. There is no assurance that our policies or procedures will protect us against liability under the FCPA or other laws for actions taken by our employees and intermediaries. If we are found to be liable for FCPA

violations (either due to our own acts or our omissions, or due to the acts or omissions of others), we could suffer from severe criminal or civil penalties or other sanctions, which could have a material adverse effect on our 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 our senior management.

The U.S. government's organizational conflict of interest rules could limit our ability to successfully compete for new contracts or task orders or may require us to exit or wind down certain existing contracts or task orders, any of which could adversely affect our results of operations and prospects.

Past efforts by the U.S. government to reform its procurement practices have focused, among other areas, on the separation of certain types of work to facilitate objectivity and avoid or mitigate organizational conflicts of interest and the strengthening of regulations governing organizational conflicts of interest. Organizational conflicts of interest may arise from circumstances in which a contractor has:

- impaired objectivity during performance;
- unfair access to non-public information; or
- the ability to set the “ground rules” for another procurement for which the contractor competes.

A focus on organizational conflicts of interest issues has resulted in legislation and regulations aimed at increasing organizational conflicts of interest requirements, including, among other things, separating sellers of products and providers of advisory services in major defense acquisition programs. For example, our current launch services support contracts for the U.S. government may limit our ability to apply our expertise and solutions to capitalize on all potential opportunities within the commercial launch market. Future legislation and regulations may increase the restrictions in current organizational conflicts of interest regulations and rules. In addition, the Mergers may create organizational conflict of interest issues that may require remediation either before or after closing including potentially exiting one or more existing contracts or winding down certain existing contracts or task orders. To the extent that organizational conflicts of interest laws, regulations and rules limit our ability to successfully compete for new contracts or task orders with the U.S. government and/or commercial entities, or require us to exit certain existing contracts or task orders or winding down certain existing contracts or task orders, either because of organizational conflicts of interest issues arising from our business or because companies with which we are affiliated or with which we otherwise conduct business create organizational conflicts of interest issues for us, our results of operations and prospects could be materially and adversely affected.

We may fail to obtain and maintain necessary security clearances or certifications which may adversely affect our ability to perform on certain contracts.

Many U.S. government programs require contractor employees and facilities to have security clearances or certifications. Depending on the level of required clearance, security clearances and certifications can be difficult and time-consuming to obtain. If we, our employees or prospective employees or facilities are unable to obtain or retain necessary security clearances or certifications, we may not be able to bid on, win or perform on new contracts, or effectively compete for expiring contracts, and we may lose existing contracts, which may adversely affect our operating results and inhibit the execution of our growth strategy.

We derive a majority of our revenue from contracts awarded through a competitive bidding process, and our revenue and profitability may be materially adversely affected if we are unable to compete effectively in the process.

We derive a majority of our revenue from U.S. government contracts awarded through competitive bidding processes including through competitions for orders under multiple award contracts. We do not expect this to

change for the foreseeable future. Our failure to compete effectively in this procurement environment would have a material adverse effect on our revenue and profitability. In addition, our current contracts are re-competed from time to time, and we are not assured of winning these re-competes. In circumstances where we do not win those re-competes, and those lost contracts are not replaced, our operating results may be materially and adversely affected.

The competitive bidding process involves risk and significant costs to businesses operating in this environment, including:

- the necessity to expend resources, make financial commitments (such as procuring leased premises) and bid on engagements in advance of the completion of their design, which may result in unforeseen difficulties in execution and cost overruns;
- the substantial cost and managerial time and effort spent to prepare bids and proposals for contracts that may not be awarded to us;
- the ability to accurately estimate the resources and costs that will be required to service any contract we are awarded;
- the expense and delay that may arise if our competitors protest or challenge contract awards made to us pursuant to competitive bidding, and the risk that any such protest or challenge could result in the resubmission of bids on modified specifications, or in termination, reduction, or modification of the awarded contract; and
- any opportunity cost of bidding and winning other contracts we might otherwise pursue.

In circumstances where contracts are held by other companies and are scheduled to expire, we still may not be provided the opportunity to bid on those contracts if the government extends the existing contract. If we are unable to win particular contracts that are awarded through the competitive bidding process, we may not be able to operate in the market for services that are provided under those contracts for the duration of those contracts to the extent that there is no additional demand for such services. In addition, if the government elects to use a contract vehicle that we do not hold, we will not be able to compete for work under that contract vehicle as a prime contractor. An inability to consistently win new contract awards or compete for work as a prime contractor over any extended period could have a material adverse effect on our business, results of operations and prospects.

Our earnings and profitability may vary based on the mix of our contracts and may be adversely affected by our failure to accurately estimate or otherwise recover the expenses, time, and resources for our contracts.

We enter into several different types of contracts with our government customers for our services including cost-reimbursable, time-and-materials, and fixed-price. Each of these types of contracts, to varying degrees, involves the risk that we could underestimate our cost of fulfilling the contract, which may reduce the profit we earn or lead to a financial loss on the contract and adversely affect our operating results.

Under cost-reimbursable contracts, we are reimbursed for allowable costs up to a ceiling and paid a fee, which may be fixed or performance-based. If our actual costs exceed the contract ceiling or are not allowable under the terms of the contract or applicable regulations, we may not be able to recover those costs. In particular, there is increasing focus by the U.S. government on the extent to which government contractors, including us, are able to receive reimbursement for employee compensation, including rules under the Bipartisan Budget Act of 2013 that substantially decreased the level of allowable compensation cost for executive-level employees and further applied the newly reduced limitation to all employees. In addition, there is risk of compensation being deemed unallowable or payments being withheld as a result of government audit, review, or investigation.

Under time-and-materials contracts, we are reimbursed for the hours worked using predetermined hourly rates for each labor category and typically reimbursed for other direct contract costs and expenses at cost. We

assume financial risk on time-and-materials contracts because our costs of performance may exceed these negotiated hourly rates.

Under fixed-price contracts, we perform specific tasks for a pre-determined price. Compared to time-and-materials and cost-reimbursable contracts, fixed-price contracts generally offer higher margin opportunities because we receive the benefits of any cost savings, but involve greater financial risk because we bear the impact of any cost overruns. Because we assume the risk for cost overruns and contingent losses on fixed-price contracts, an increase in the percentage of fixed-price contracts in our contract mix could increase our risk of suffering losses.

Additionally, our profits could be adversely affected if our costs under any of these contracts exceed the assumptions we used in bidding for the contract. For example, we may miscalculate the costs, resources, or time needed to complete projects or meet contractual milestones as a result of delays on a particular project, including delays in designs, engineering information, or materials provided by the customer or a third party, delays or difficulties in equipment and material delivery, schedule changes, and other factors, some of which are beyond our control.

We have recorded provisions in our consolidated financial statements for losses on our contracts, as required under GAAP, but our contract loss provisions may not be adequate to cover all actual losses that we may incur in the future. Actual losses could have an adverse effect on our business and financial results.

Many of our contracts contain performance obligations that require innovative design capabilities, are technologically complex or are dependent upon factors not wholly within our control. Failure to meet these obligations could adversely affect our revenue and profitability.

We design and develop technologically advanced and innovative products and services applied by our customers in a variety of environments. Problems and delays in development or delivery as a result of issues with respect to design, technology, licensing and patent rights, labor, learning curve assumptions or materials and components could prevent us from achieving contractual requirements.

In addition, our offerings cannot be tested and proven in all situations and are otherwise subject to unforeseen problems that could negatively affect revenue and profitability such as problems with quality and workmanship, country of origin, delivery of subcontractor components or services and unplanned degradation of product performance. Among the factors that may adversely affect revenue and profits could be unforeseen costs and expenses not covered by insurance or indemnification from the customer, diversion of management focus in responding to unforeseen problems, loss of follow-on work, and, in the case of certain contracts, repayment to the U.S. government customer of contract cost and fee payments we previously received.

Failure of third parties to deliver on commitments under contracts, and misconduct of employees, subcontractors, agents and business partners could cause us to lose existing contracts or customers and adversely affect our ability to obtain new contracts and customers and could have a significant adverse impact on our business and reputation.

Our contracts are expected to be complex and, in some instances, may require us to partner with other parties, including software and hardware vendors, to provide the complex solutions required by its customers. Our ability to deliver the solutions and provide the services required by our customers will be dependent on our abilities and our partners to meet customers' delivery schedules. If we or our partners fail to deliver services or products on time, our ability to complete the contract may be adversely affected, which may have a material and adverse impact on our revenue and profitability.

Misconduct could include fraud or other improper activities such as falsifying time or other records and violations of laws and regulations, including the Procurement Integrity Act and anti-corruption laws. Other

examples could include the failure to comply with our Code of Business Conduct, policies and procedures or with U.S. federal, state or local government procurement regulations, rules regarding the use and safeguarding of classified or other protected information, legislation regarding the pricing of labor and other costs in government contracts, laws and regulations relating to environmental, health or safety matters, international trade controls (particularly the International Traffic in Arms Regulations), lobbying or similar activities and any other applicable laws or regulations. Any data loss or information security lapses resulting in the compromise of personal information or the improper use or disclosure of sensitive or classified information could result in claims, remediation costs, regulatory sanctions against us, loss of current and future contracts and serious harm to our reputation. Although we have implemented policies, procedures and controls to prevent and detect these activities, these precautions may not prevent all misconduct and, as a result, we could face unknown risks or losses. Our failure to comply with applicable laws or regulations or misconduct by any of our employees, subcontractors, agents or business partners could damage our reputation and subject us to fines and penalties, restitution or other damages, loss of security clearance, loss of current and future customer contracts and suspension or debarment from contracting with U.S. federal, state or local government agencies, any of which would adversely affect our business and our future results.

Our business could be adversely affected if there are delays, terminations or cancellations caused by our competitors protesting major contract awards received by us or there are adverse protest decisions in contracts awarded to us.

U.S. government contracts are frequently subject to bid protests from unsuccessful bidders on new program awards. It can take many months for the relevant U.S. government agency to resolve protests by one or more of our competitors of contract awards we receive. Bid protests may result in significant expense to us, termination or cancellation of an awarded contract as a result of the award being overturned. Even if we do not lose the awarded contract, the resulting delay in the startup and funding of the work under these contracts may cause our revenue and profitability to be materially and adversely affected.

Following the Spin-Off and Mergers, if we do not adequately remediate existing material weaknesses, or if we experience material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, or comply with the accounting and reporting requirements applicable to public companies, which may adversely affect investor confidence in us and, as a result, the value of our common stock.

Vencore has identified material weaknesses in its internal control over financial reporting. In connection with the audit of Vencore's combined financial statements for the year ended December 31, 2016, material adjustments were identified related to years prior to 2016, which represented material weaknesses in its internal control over financial reporting as of December 31, 2016 and as of December 31, 2017. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.

Vencore's material weaknesses related to the following:

Material adjustments were identified and recorded in the financial statements for the periods prior to 2016 related to the accounting for certain non-recurring or unique transactions involving a high level of complexity, subjectivity and judgment. During those periods Vencore did not retain a sufficient complement of personnel possessing the appropriate accounting knowledge and experience, which resulted in incorrect conclusions in the application of GAAP associated with non-recurring or unique transactions involving a high level of complexity, subjectivity and judgment. This material weakness contributed to additional material weaknesses in which, specifically, (1) Vencore did not design and maintain effective internal control over the accounting for business combinations including certain post-acquisition activities (including the assessment of appropriate reporting units) and (2) Vencore did not maintain effective controls over the period-end financial reporting process,

specifically controls over the review by individuals with the appropriate accounting knowledge of certain significant account reconciliations that analyzed the accounting for business combinations and certain post-acquisition activities and the review of the consolidated financial statements.

These material weaknesses resulted in adjustments to Vencore's consolidated financial statements for the years ended December 31, 2014 and 2015 related to the accounting for:

- a contingent consideration liability related to Vencore's acquisition of QNA SSG; and
- certain lease abandonment liabilities.

Following the Spin-Off and the Mergers, we will continue to implement measures designed to improve our internal controls over financial reporting, in an effort to remediate these material weaknesses going forward. In addition, following the Spin-Off and the Mergers we will continue to evaluate whether we have a sufficient number of appropriately trained and experienced technical accounting personnel and will add new personnel as we deem necessary.

Although Vencore is in the process of carrying out these remediation activities, and we will continue to carry out these remediation activities related to the Vencore material weaknesses following the Spin-Off and the Mergers, we cannot assure you that the measures taken to date, together with any measures we may take in the future, will be sufficient to remediate these material weaknesses in our internal control over financial reporting or to avoid potential future material weaknesses. If the steps we take do not correct the historic Vencore material weaknesses in a timely manner, we will be unable to conclude that we maintain effective internal control over financial reporting. Accordingly, this could result in additional misstatements of the accounts or disclosures that would result in a material misstatement of our financial statements that would not be prevented or detected on a timely basis. As we have not completed the design, evaluation and testing of our internal controls over financial reporting, we cannot be certain that these material weaknesses will be fully remediated or that other material weaknesses will not be discovered in the future.

If we are unable to successfully remediate the existing Vencore material weaknesses, or any future material weaknesses in our internal control over financial reporting, or if we identify any additional existing material weaknesses, the accuracy and timing of our financial reporting may be adversely affected, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to exchange listing requirements, our reported financial results may be materially misstated, investors may lose confidence in our financial reporting and our stock price may decline as a result. As a result of such failures, we could also become subject to investigations by the exchange our common stock will be listed on, the SEC or other regulatory authorities, and become subject to litigation from investors and stockholders, which could harm our reputation, business and financial condition and divert financial and management resources from our core business.

There can be no assurance that our internal controls over financial reporting will be able to detect fraud or other issues.

We will be required under the Sarbanes-Oxley Act of 2002 to include a report of management on our internal controls that contains an assessment by management of the effectiveness of our internal control over financial reporting. In addition, the public accounting firm auditing our financial statements will be required to report on the effectiveness of internal control over financial reporting. Effective internal controls are necessary for us 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 Mergers, and as we continue to grow our business, our internal controls continue to become more complex and require more resources.

We may earn less revenue than projected, or no revenue, under certain of our contracts.

Following the Spin-Off and Mergers, some of our contracts with our clients are ID/IQ contracts. ID/IQ contracts provide for the issuance by the client of orders for services or products under the contract, and often contain multi-year terms and unfunded ceiling amounts, which allow but do not commit our U.S. government customer to purchase products and services from contractors. Our ability to generate revenue under each of these types of contracts depends upon our ability to be awarded task orders for specific services by the client. ID/IQ contracts may be awarded to one contractor (single award) or several contractors (multiple award). Multiple contractors must compete under multiple award ID/IQ contracts for task orders to provide particular services, and contractors earn revenue only to the extent that they successfully compete for these task orders. A failure to be awarded task orders under such contracts would have a material adverse effect on our results of operations and financial condition. In addition, our ability to maintain our existing business and win new business depends on our ability to maintain our prime and subcontractor positions on our ID/IQ contracts.

A termination of our defined benefit pension plan would adversely affect our financial condition and results of operations.

As of December 31, 2017, on a pro forma basis giving effect to the Spin-Off and Mergers, we would have had \$94 million of unfunded pension obligations under our U.S. defined benefit pension plan. The Pension Benefit Guaranty Corporation (the “PBGC”) has authority under the Employment Retirement Income Security Act of 1974, as amended, to terminate an underfunded defined benefit pension plan under certain circumstances, including when (1) the plan has not met the minimum funding requirements, (2) the plan cannot pay current benefits when due, or (3) the loss to the PBGC is reasonably expected to increase unreasonably over time if the plan is not terminated. If the PBGC were to terminate our U.S. defined benefit pension plan, our obligations with respect to such plan would become due and payable in full. Any such event or the failure by us to pay our pension plan insurance premiums with respect to its U.S. defined benefit pension plan could result in the PBGC obtaining a lien on our assets. Such an event materially and adversely affect our financial condition and results of operations.

The U.S. government may revise its procurement, contract or other practices in a manner materially adverse to us at any time.

Our industry continues to experience significant changes to business practices as a result of an increased focus on affordability, efficiencies and recovery of costs, among other items. Legislation, regulations and initiatives dealing with procurement reform, mitigation of potential organizational conflicts of interest, deterrence of fraud, and environmental responsibility or sustainability could have a material adverse effect on us. Moreover, shifts in the buying practices of government agencies (such as increased usage of fixed-price contracts with disclosure of cost and pricing data, multiple award contracts and small business set-aside contracts) could have material adverse effects on government contractors, including us. The government may:

- revise its procurement practices or adopt new contract laws, rules, and regulations, such as cost accounting standards, organizational conflicts of interest, and other rules governing inherently governmental functions at any time;
- reduce, delay, or cancel procurement programs resulting from government efforts to improve procurement practices and efficiency;
- limit the creation of new government-wide or agency-specific multiple award contracts;
- face restrictions or pressure from government employees and their unions regarding the amount of services the U.S. federal, state or local governments may obtain from private contractors;
- award contracts on a technically acceptable/lowest-cost basis to reduce expenditures, and we may not be the lowest-cost provider of services;

- adopt new socio-economic requirements, including setting aside procurement opportunities for small, disadvantaged, minority-, women- or veteran-owned businesses;
- change the basis upon which it reimburses our compensation and other expenses or otherwise limit such reimbursements; and
- at its option, terminate or decline to renew our contracts.

In addition, any new contracting methods could be costly or administratively difficult for us to implement and could materially adversely affect our future revenue and profit margin. Furthermore, changes to the procurement system could cause delays in the procurement decision-making process. Any such changes to the government's procurement practices or the adoption of new contracting rules or practices could impair our ability to obtain new or re-compete contracts and any such changes or increased associated costs could materially and adversely affect our results of operations. Moreover, cost-cutting initiatives recently announced by the Secretary of Defense may significantly change the way the U.S. federal government solicits, negotiates, and manages its contracts, which could result in an increase in competitive pressure and decreased profitability on contracts and have a material adverse effect on our results of operations.

The U.S. federal government may prefer small, disadvantaged, minority-, women- or veteran-owned businesses. As a result we may have fewer opportunities to bid on new or incumbent work.

As a result of Small Business Administration set-aside and preference programs, the U.S. federal government may decide to restrict certain procurements only to bidders that qualify as small, disadvantaged, minority-, women- or veteran-owned. As a result, we would not be eligible to perform as a prime contractor on those programs and would be restricted as to the work we could perform as a subcontractor on those programs. An increase in the amount of procurements under the Small Business Administration set-aside program may impact our ability to bid on new procurements as a prime contractor or restrict our ability to re-compete on incumbent work that is placed in the set-aside program.

Our business is subject to reviews, audits and cost adjustments by the U.S. federal government, which, if resolved unfavorably to us, could adversely affect our profitability, cash flows or growth prospects.

The Defense Contract Audit Agency ("DCAA"), Defense Contract Management Agency ("DCMA") and others routinely audit and review a contractor's performance on government contracts, indirect cost rates and pricing practices, and compliance with applicable contracting and procurement laws, regulations and standards. They also review the adequacy of the contractor's compliance with government standards for its business systems, which are defined as the contractor's accounting, earned value management, estimating, materials management, property management and purchasing systems. A finding of material weakness or significant control deficiencies in a contractor's business systems or a finding of noncompliance with the FAR Cost Accounting Standards can result in reduced billing rates to U.S. government customers until the material weakness or control deficiencies are corrected and their remediation is accepted by the DCMA. The agencies conducting these audits and reviews have come under increased scrutiny. As a result, audits and reviews have become more rigorous and the standards to which we are held are being more strictly interpreted which has increased the likelihood of an audit or review resulting in an adverse outcome.

Government audits and reviews may conclude that our practices are not consistent with applicable laws and regulations and result in adjustments to contract costs and mandatory customer refunds. Further, we currently intend to integrate the USPS and Vencore business systems, and as a result, any finding of noncompliance in either USPS or Vencore could result in a negative impact for the combined entity. Such adjustments, whether to USPS, Vencore, or to the combined entity, can be applied retroactively, which could result in significant customer refunds. Receipt of adverse audit findings or the failure to obtain an "approved" determination on our various business systems could significantly and adversely affect our business by, among other things, restricting our ability to bid on new contracts and, for those proposals under evaluation, diminishing our competitive

position. A determination of noncompliance, in either USPS, Vencore or Perspecta's business systems, could also result in the U.S. federal government imposing penalties and sanctions against us, including withholding of payments, suspension of payments and increased government scrutiny. Increased scrutiny could adversely impact our ability to perform on contracts, affect our ability to invoice for work performed, delay the receipt of timely payment on contracts, and weaken our ability to compete for new contracts with the U.S. federal government.

If we cannot collect our receivables or if payment is delayed, our business and financial condition may be materially and adversely affected.

We depend on the timely collection of our receivables to generate cash flow, provide working capital, and continue our business operations. 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 our cash collections to decrease and bad debt expense to increase. While we 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 our receivables or prevail on claims would have an adverse effect on our profitability and cash flows.

U.S. federal, state or local governments may delay or fail to pay invoices for a number of reasons, including lack of appropriated funds, lack of an approved budget, or as a result of audit findings by government regulatory agencies. Some prime contractors for whom we are a subcontractor have significantly fewer financial resources than we do, which may increase the risk that we may not be paid in full or that payment may be delayed.

Our U.S. federal, state and local government contracts may be terminated by such U.S. federal, state or local government customer at any time and may contain other provisions permitting such customer to discontinue contract performance, allow a contract to expire, or that are otherwise unfavorable to us (e.g., federal government's decision not to renew an option), and if discontinued contracts are not replaced, our operating results may differ materially and adversely from those anticipated.

U.S. federal, state and local government contracts contain provisions and are subject to laws and regulations that provide U.S. federal, state and local government customers with rights and remedies not typically found in commercial contracts. These rights and remedies allow such U.S. federal, state or local government customer to, among other things:

- terminate existing contracts, with short notice, for convenience as well as for default;
- reduce orders under or otherwise modify contracts;
- for contracts subject to the Truth in Negotiations Act, reduce the contract price or cost where it was increased because a contractor or subcontractor furnished cost or pricing data during negotiations that was not complete, accurate, and current;
- for some contracts, demand a refund, make a forward price adjustment, or terminate a contract for default if a contractor provided inaccurate or incomplete data during the contract negotiation process and/or reduce the contract price under certain triggering circumstances, including the revision of price lists or other documents upon which the contract award was predicated;
- terminate our facility security clearances and thereby prevent us from receiving classified contracts;
- cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;
- decline to exercise an option to renew a multi-year contract or issue task orders in connection with ID/IQ contracts;
- assert rights in solutions, systems, and technology produced by us during contract performance, and continue to use that work product without continuing to contract for our services, and/or disclose or permit such work product to be used by third parties, including other U.S. government agencies and our competitors, which could harm our competitive position;

- prohibit future procurement awards with a particular U.S. federal government agency due to a finding of organizational conflicts of interest based upon prior related work performed for the U.S. federal government agency that would give a contractor an unfair advantage over competing contractors, or the existence of conflicting roles that might bias a contractor's judgment;
- suspend or debar us from doing business with the U.S. federal government;
- impose fines and penalties on us, and subject us to criminal prosecution;
- repurpose funds to address rated orders;
- control or prohibit the export of our services; and
- impose special handling and control requirements for controlled information.

Recent and potential future budget cuts, the impact of sequestration and recent efforts by the Office of Management and Budget to decrease federal awards for management support services may cause U.S. federal government agencies with which we currently have contracts to terminate, reduce the number of task orders under or fail to renew such contracts. If a U.S. federal, state or local government customer were to unexpectedly terminate, cancel, or decline to exercise an option to renew with respect to one or more of our significant contracts, or suspend or debar us from doing business with such U.S. federal, state or local government customer, our revenue and operating results could be materially harmed.

Our business is subject to fluctuations that may cause our operating results to decline.

The U.S. fiscal year ends on September 30th of each year. While not certain, it is not uncommon for U.S. government agencies to award extra tasks or complete other contract actions in the weeks before the end of the U.S. fiscal year in order to avoid the loss of unexpended fiscal year funds. In addition, we have also historically experienced higher bid and proposal costs in the months leading up to the U.S. fiscal year end as we pursue new contract opportunities expected to be awarded early in the following U.S. fiscal year as a result of funding appropriated for that U.S. fiscal year. We may continue to experience this seasonality in future periods, and our results of operations may be affected by it. While not certain, changes in the U.S. federal government's funding and spending patterns have altered historical seasonality trends, supporting our approach to managing the business on an annual basis. Seasonality is just one of a number of factors, many of which are outside of our control, which may negatively affect our operating results in any period.

Our ability to provide customers with competitive services is dependent on our ability to attract and retain qualified personnel, including our senior management team.

Our ability to grow and provide our customers with competitive services is partially dependent on our ability to attract and retain highly motivated people with the skills necessary to serve our customers. The markets we 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 onshore and offshore locales. Personnel with the requisite skills, qualifications, or security clearance may be in short supply or generally unavailable. The loss of personnel could impair our ability to perform under certain contracts, which could have a material adverse effect on our consolidated financial position, results of operations, prospects and cash flows.

In addition, due to the Mergers, uncertainty around future employment opportunities, facility locations, organizational and reporting structures, and other related concerns may impair our ability to attract and retain qualified personnel. If employee attrition is higher than expected due to difficulties encountered in the integration process it may adversely impact our ability to realize the anticipated benefits of the Mergers.

If we do not hire, train, motivate, and effectively utilize employees with the right mix of skills and experience in the right geographic regions and for the right offerings to meet the needs of our customers, our

financial performance could suffer. For example, if our employee utilization rate is too low, our profitability, and the level of engagement of our employees could decrease. 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 our ability to staff projects. If we are unable to hire and retain enough employees with the skills or backgrounds needed to meet current demand, we may need to redeploy existing personnel, increase our reliance on subcontractors or increase employee compensation levels, all of which could also negatively affect our profitability. We may also incur increased costs if we have more employees than necessary with certain skill sets or in certain geographies as we will need to rebalance our supply of skills and resources with customer demand in those geographies.

In addition to attracting and retaining qualified technical personnel, we believe that our success will depend on the continued employment of our senior management team and its ability to generate new business and execute projects successfully. Our senior management team is very important to our business because personal reputations and individual business relationships are a critical element of obtaining and maintaining customer engagements in our industry, particularly with agencies performing classified operations. The loss of any of our senior executives could cause us to lose customer relationships or new business opportunities, which could cause actual results to differ materially and adversely from those anticipated.

Our business and financial results could be negatively affected by cyber-attack, service interruptions or other security threats.

As a provider of IT services to U.S. public sector customers, we store and process large amounts of sensitive information which includes personally identifiable information, protected health information, personnel information, classified information, financial information and other confidential information concerning our business and employees and those of our customers (collectively referred to below as “sensitive information”). We are continuously exposed to risk from cyber-attack and other security threats, including computer viruses and attacks by hackers. Any electronic or other security breach or compromise may jeopardize security of sensitive or other information stored or transmitted through our IT systems and networks, and could expose us to regulatory scrutiny, actions and penalties, extensive contractual liability litigation, reputational harm, and a loss of customer confidence, which could potentially have an adverse impact on future business with current and potential customers.

Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our 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 our 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 our 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, which may impede our sales, manufacturing, distribution or other critical functions.

We work with other companies in the industry and government participants to share threat intelligence and promote increased awareness and enhanced protections against cybersecurity threats, and we seek to detect and investigate all security events and to prevent their occurrence or recurrence. We continue to improve our threat protection, detection and mitigation policies, procedures and controls. Our security measures are designed to identify and protect against security breaches and cyber-attack and no threat incident identified to date has resulted in a material adverse effect on us or our customers. However, our failure to detect, prevent or adequately respond to a future threat incident could subject us to liability and reputational damage and have a material adverse effect on our business.

Increasing data privacy and information security obligations could also impose additional regulatory pressures on our customers' businesses and, indirectly, on our operations. In response, some of our customers have sought and may continue to seek, to contractually impose certain strict data privacy and information security obligations on us. Under certain of our customer contracts we are specifically tasked with cybersecurity measures and thus are affirmatively responsible for implementing cybersecurity measures to protect against, detect and mitigate these threats. Some of our customer contracts may not limit our liability for the loss of confidential information. If we are unable to adequately address these concerns, our business, results of operations and prospects could suffer. Compliance with new privacy and security laws, requirements and regulations, where required or undertaken by us, may result in cost increases due to potential systems changes, the development of additional administrative processes and increased enforcement actions, fines and penalties. While we strive to comply with all applicable data protection laws and regulations as well as internal 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 us by government or other entities, private lawsuits against us (including class actions) or the loss of customers, which could potentially have an adverse effect on our business, reputation, results of operations and prospects.

The Separation and Distribution Agreement limits both our and DXC's ability to engage in certain competitive activities.

The Separation Agreement and Distribution includes non-compete provisions pursuant to which we and DXC 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 and Distribution Agreement. See "The Transaction Agreements—The Separation and Distribution Agreement—Non-Competition." The foregoing restrictions may limit our ability to engage in certain activities, may potentially lead to disputes and may materially and adversely affect our business, financial condition, results of operations and prospects.

We are defendants in pending litigation that may have a material and adverse impact on our profitability and liquidity.

We are party to a number of disputes that involve or may involve litigation. We also may become a party to a variety of lawsuits or claims and suits that arise from time to time in the ordinary course of our business. We are not able to predict the ultimate outcome of these disputes or the actual impact of these matters on our profitability. If we agree to settle these matters or judgments are secured against us, we may incur liabilities that may have a material and adverse impact on our liquidity and earnings. See Note 10 to the combined financial statements of USPS and Note 20 to the combined financial statements of Vencore.

Our business and operations expose us to numerous legal and regulatory requirements, and any violation of these requirements could harm our business.

We are subject to numerous federal, state and foreign legal requirements on matters as diverse as data privacy and protection, employment and labor relations, environmental, health and safety, immigration, taxation, anti-corruption, import/export controls, trade restrictions, internal and disclosure control obligations, securities regulation and anti-competition. Compliance with diverse and changing legal requirements is costly, time-consuming and requires significant resources. We also conduct business in certain identified growth areas, such as national security, national intelligence, health IT and energy, which are highly regulated and may expose us to increased compliance risk. Violations of one or more of these diverse legal requirements in the conduct of our business could result in significant fines and other damages, criminal sanctions against us or our officers, prohibitions on doing business (including suspension or debarment from government contracts or grants) and damage to our reputation. Violations of these regulations or contractual obligations related to regulatory compliance in connection with the performance of customer contracts could also result in liability for significant monetary damages, fines and/or criminal prosecution, unfavorable publicity and other reputational damage, restrictions on our ability to compete for certain work and allegations by our customers that we have not performed our contractual obligations.

In the course of providing services to customers, we may inadvertently infringe on the IP rights of others and be exposed to claims for damages.

In recent years, there has been significant litigation involving IP rights in technology industries. The solutions we provide to our customers may inadvertently infringe on the IP rights of third parties resulting in claims for damages against us or our customers.

Any infringement, misappropriation or related claims, whether or not meritorious, are time consuming, divert technical and management personnel and are costly to resolve. As a result of any such dispute, we may have to develop non-infringing technology, pay damages, enter into royalty or licensing agreements, cease utilizing certain products or services or take other actions to resolve the claims. These actions, if required, may be costly or unavailable on terms acceptable to us. If we are unable to prevail in the litigation or retain or obtain sufficient rights or develop non-infringing IP or otherwise alter our business practices on a timely or cost-efficient basis, our business and operating results may be adversely affected. Additionally, the publicity resulting from infringing IP rights may damage our reputation and adversely impact our ability to develop new business.

In addition, U.S. government contracts typically contain provisions that allow it to claim rights, including IP rights, in products and data developed and/or delivered under such agreements. We may not have the right to prohibit the U.S. government from using or disclosing certain technologies developed by us, and we may not be able to prohibit third party companies, including our competitors, from using those technologies commercially or in providing products and services to the U.S. government. The U.S. government generally takes the position that it has an unlimited right to royalty-free use of technologies that are developed under U.S. government contracts.

We will have substantial indebtedness after the Spin-Off and Perspecta Payment, as well as after the Mergers, and we will have the ability to incur significant additional indebtedness, which could adversely affect our business, financial condition and results of operations.

On a pro forma basis, we will have substantial indebtedness and we may increase our indebtedness in the future. As of December 31, 2017, on a pro forma basis, our total outstanding indebtedness, including capital leases, would have been approximately \$2.8 billion. In addition, Enterprise Services, a subsidiary of Perspecta following the Internal Reorganization, will retain contractual capitalized lease obligations with an aggregate outstanding balance of up to \$300 million, net of cash payments from DXC. Further, an expected \$66 million in principal amount of the outstanding EDS Notes will remain outstanding at Enterprise Services.

Our level of indebtedness could have important consequences. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements or to carry out other aspects of our business;
- increase our cost of borrowing;
- require us to dedicate a substantial portion of our cash flow from operations to payments on indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures and other general corporate requirements or to carry out other aspects of our business;
- limit our ability to make material acquisitions or take advantage of business opportunities that may arise;
- expose us to fluctuations in interest rates, to the extent our borrowings bear variable rates of interest;
- limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- place us at a potential disadvantage compared to our competitors that have less debt.

Our ability to make scheduled payments on and to refinance our indebtedness will depend on and be subject to our future financial and operating performance, which in turn is affected by general economic, financial, competitive, business and other factors beyond our control, including the availability of financing in the banking and capital markets. Our business may fail to generate sufficient cash flow from operations or to borrow funds in an amount sufficient to enable us to make payments on our debt, to refinance our debt or to fund our other liquidity needs. If we were unable to make payments on or refinance our debt or obtain new financing under these circumstances, we would have to consider other options, such as asset sales, equity issuances or negotiations with our lenders to restructure the applicable debt. The terms of debt agreements that we enter into in connection with the Spin-Off and Mergers and market or business conditions may limit our ability to take some or all of these actions. In addition, if we incur additional debt, the related risks described above could be exacerbated.

The agreements governing our indebtedness will contain restrictive covenants, which will restrict our operational flexibility.

The agreements governing our indebtedness will contain restrictions and limitations on our ability to engage in activities that may be in our long-term best interests, including covenants that place limitations on the incurrence of additional indebtedness; the creation of liens; the payment of dividends; sales of assets; fundamental changes, including mergers and acquisitions; loans and investments; negative pledges; transactions with affiliates; restrictions affecting subsidiaries; modification to charter documents in a manner materially adverse to the lenders; and changes in fiscal year and limitations on conduct of business.

In addition, certain agreements governing our indebtedness will contain financial covenants, including covenants requiring, as at the end of, and for, each fiscal quarter of Perspecta ending after the Distribution Date, (a) a ratio of consolidated total net debt to consolidated EBITDA (as defined in the debt agreement) not in excess of 4.50:1.00, stepping down to 3.75:1.00 no later than the end of the first full fiscal quarter ending at least 18 months after the Distribution Date; and (b) a consolidated EBITDA to interest expense ratio of not less than 3.00:1.00. The agreements governing our indebtedness will also contain affirmative covenants and representations and warranties customary for financings of this type.

Events beyond our control could affect our ability to meet these covenants. Our failure to comply with obligations under the agreements governing our indebtedness may result in an event of default under those agreements. A default, if not cured or waived, may permit acceleration of our indebtedness. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds available to pay the accelerated indebtedness or that we will have the ability to refinance the accelerated indebtedness on terms favorable to us or at all. This could have serious consequences to our financial condition, operating results and business and could cause us to become insolvent or enter bankruptcy proceedings.

We may need to raise additional capital, and we cannot be sure that additional financing will be available.

Subsequent to the Spin-Off, we will need to fund our ongoing working capital, capital expenditure and financing requirements through cash flows from operations and new sources of capital, including additional financing. Our ability to obtain future financing will depend, among other things, on our financial condition and results of operations as well as on the condition of the capital markets or other credit markets at the time we seek financing. Increased volatility and disruptions in the financial markets could make it more difficult and more expensive for us to obtain financing. In addition, the adoption of new statutes and regulations, the implementation of recently enacted laws or new interpretations or the enforcement of older laws and regulations applicable to the financial markets or the financial services industry could result in a reduction in the amount of available credit or an increase in the cost of credit. Historically, we have relied on DXC and its credit facilities and its access to capital for our financing needs but, after the Spin-Off, we will not have access to DXC's credit for our future financings. There can be no assurance that, as a new independent public company, we will have sufficient access to the capital markets on terms that we will find acceptable.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our financial results or financial condition.

GAAP and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including but not limited to revenue recognition, business combinations, impairment of goodwill, indefinite-lived intangible assets and long-lived assets, inventory and equity-based compensation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change our reported or expected financial performance or financial condition.

We may be unable to realize the anticipated cost savings or synergies within the anticipated time frame or in the anticipated amounts, or may incur additional and/or unexpected costs in order to realize them.

There can be no assurance that we will be able to realize the anticipated cost savings or synergies from the proposed transaction in the anticipated amounts or within the anticipated timeframes or costs expectations or at all.

USPS is implementing certain cost savings initiatives that, as described above under “Summary Historical Combined Financial Data of USPS—Non-GAAP Measures—Adjusted EBITDA” we expect to result in recurring, annual run-rate cost savings. In addition, we expect the combination of USPS and Vencore to provide opportunities for cost savings and other operating synergies, as described in “Summary—The Transactions—Transaction Rationale”.

These cost savings and synergies that we realize may differ materially from our estimates. We cannot provide assurances that these anticipated savings and synergies will be achieved or that our programs and improvements will be completed as anticipated or at all. In addition, any cost savings that we realize may be offset, in whole or in part, by reductions in revenues or through increases in other expenses. The projections and assumptions related to cost savings and synergies contained in this Information Statement are based on our current estimates, but they involve risks, uncertainties, projections and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements, express or implied.

Assumptions relating to these projections involve subjective decisions and judgments with respect to, among other things, the estimated impact of certain operational adjustments, labor management and other cost and savings adjustments, as well as future economic, competitive, industry and market conditions and future business decisions, all of which are inherently uncertain and may be beyond the control of our management. The internal financial projections used to calculate estimated cost savings also do not take into account any circumstances or events occurring after the date on which they were prepared. These internal financial projections reflect assumptions as to certain business decisions that are subject to change. As a result, actual results may differ materially from those contained in these internal financial projections.

Failure to realize the expected costs savings and synergies related to the Spin-Off and Mergers could result in increased costs and have an adverse effect on the combined company’s financial results and prospects.

Recent U.S. tax legislation may materially adversely affect our financial condition, results of operations and cash flows.

Recently enacted U.S. tax legislation has significantly changed the U.S. federal income taxation of U.S. corporations, including by reducing the U.S. corporate income tax rate, limiting interest deductions, permitting immediate expensing of certain capital expenditures, adopting elements of a territorial tax system, and revising the rules governing net operating losses. Many of these changes are effective immediately, without any transition periods or grandfathering for existing transactions. The legislation is unclear in many respects and could be

subject to potential amendments and technical corrections, as well as interpretations and implementing regulations by the Treasury and Internal Revenue Service (“IRS”), any of which could lessen or increase certain adverse impacts of the legislation. In addition, it is unclear how these U.S. federal income tax changes will affect state and local taxation, which often uses federal taxable income as a starting point for computing state and local tax liabilities.

While our analysis and interpretation of this legislation is preliminary and ongoing, based on our current evaluation, we expect that the reduction of the U.S. corporate income tax rate will require a write-down of our deferred income tax liabilities resulting in a material noncash benefit against earnings in the third quarter of fiscal year 2018, the period in which the tax legislation was enacted, which may be subject to further adjustment in subsequent periods throughout fiscal years 2018 and 2019 in accordance with recent interpretive guidance issued by the SEC. Further, there may be other material adverse effects resulting from the legislation that we have not yet identified.

Our ability to pursue strategic acquisitions and partnerships may impact our ability to compete in the markets we serve.

Besides pursuing organic growth, we may explore potential strategic acquisitions that could allow us to expand our operations. However, we may be unable to identify attractive candidates or complete acquisitions on terms favorable to us. In addition, our ability to successfully integrate the operations we acquire and leverage these operations to generate revenue and earnings growth may significantly impact future revenue and earnings as well as investor returns. Integrating acquired operations is a significant challenge and there is no assurance that we will be able to manage such integrations successfully. Failure to successfully integrate acquired operations may adversely affect our cost structure, thereby reducing our margins and return on investment.

We have also entered into, and expect to seek to enter into, additional strategic partnerships with other industry participants as part of an effort to expand our business. However, we may be unable to identify attractive strategic partnership candidates or complete such partnerships on terms favorable to us. In addition, if we are unable to successfully implement our partnership strategies or our strategic partners do not fulfill their obligations or otherwise do not prove advantageous to our business, our investments in such partnerships and our anticipated business expansion could be adversely affected.

Achieving our growth objectives may prove unsuccessful. We may be unable to identify future attractive acquisitions and strategic partnerships, which may adversely affect our growth. In addition, our ability to consummate or integrate acquisitions or to consummate or implement our strategic partnerships may be materially and adversely affected.

Risks Relating to the Spin-Off and Mergers

The proposed Spin-Off and Mergers are contingent upon the satisfaction of a number of conditions, and the Spin-Off and Mergers may not be consummated on the terms or timeline currently contemplated.

On October 11, 2017, DXC’s board of directors unanimously approved a plan to combine the USPS business with Vencore’s business to form a separate, independent publicly traded company to serve U.S. public sector customers. For further discussion regarding aspects of the Spin-Off and Mergers see “Summary—Questions and Answers about the Transaction”.

The consummation of the Mergers is subject to certain conditions, including (i) the completion of the Internal Reorganization, the payment of the Perspecta Payment, and the completion of the Distribution, (ii) the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (iii) the effectiveness of the registration statement to be filed with the SEC and the approval for listing on the NYSE or the NASDAQ Global Market of the shares of Perspecta common stock to be issued in the

Distribution, (iv) the accuracy of the parties' representations and warranties and the performance of their respective covenants contained in the Merger Agreement, and (v) DXC's receipt of an opinion of Skadden Arps to the effect that the Spin-Off should qualify as a tax-free transaction for U.S. federal income tax purposes. For these and other reasons, the Spin-Off and Mergers may not be completed on the terms or timeline contemplated, if at all.

The proposed Spin-Off and Mergers may result in disruptions to relationships with customers and other business partners or may not achieve the intended results.

If we complete the Spin-Off and Mergers, there can be no assurance that we will be able to realize the intended benefits of the transactions or that the combined company will perform as anticipated. Specifically, the proposed transactions could cause disruptions in the USPS business and the Vencore business, including by disrupting operations or causing customers to delay or to defer decisions or to end their relationships, or otherwise limiting the ability to compete for or perform certain contracts or services or other potential effects relating to organizational conflict of interest issues, including action to mitigate or avoid OCIs or lost business opportunity. If the USPS business and the Vencore business face difficulties in integrating their businesses, or the Vencore business face difficulties in their businesses generally, the Spin-Off and Mergers, if completed, may not achieve the intended results.

Further, it is possible that current or prospective employees of the USPS business or the Vencore business could experience uncertainty about their future roles with the combined company, which could harm the ability of the USPS business or the Vencore business to attract and retain key personnel. Any of the foregoing could adversely affect our remaining businesses, the USPS business or the Vencore business, the financial condition of such businesses and their results of operations and prospects.

The actions required to implement the Spin-Off and Mergers will take significant management time and attention and may require us to incur significant costs.

The Spin-Off and Mergers will require significant amounts of management's time and resources, which will be in addition to and may divert management's time and attention from the operation of our remaining businesses and the execution of our other strategic initiatives. Additionally, we may incur significant costs in connection with the Spin-Off and Mergers. The Merger Agreement contains certain termination rights for DXC, Vencore Holding Corp. and KGS Holding Corp. The Merger Agreement further provides that, if the Distribution is not completed in accordance with the terms and conditions of the Separation Agreements on or before October 1, 2018, a termination fee of \$50 million may be payable by DXC to Vencore Holding Corp. and KGS Holding Corp. upon termination of the Merger Agreement under specified circumstances.

The Spin-Off could result in substantial tax liability to DXC and its stockholders that receive Perspecta common stock in the Distribution.

Among the conditions to completing the Spin-Off and Mergers will be DXC's receipt of a written opinion of Skadden Arps substantially to the effect that, for U.S. federal income tax purposes, (i) the Spin-Off should qualify as a "reorganization" within the meaning of Section 368(a)(1)(D) of the Code, (ii) DXC should recognize no gain or loss under Section 361(c) of the Code upon the Distribution, and (iii) DXC's stockholders should recognize no gain or loss under Section 355(a) of the Code upon the receipt of Perspecta common stock in the Distribution.

This opinion will be based on, among other things, various factual representations and assumptions, as well as certain undertakings made by DXC and Perspecta. If any of those representations or assumptions is untrue or incomplete in any material respect or any of those undertakings is not complied with, the conclusions reached in the opinion could be adversely affected and the Spin-Off may not qualify for tax-free treatment. Furthermore, an opinion of counsel is not binding on the IRS or the courts. Accordingly, no assurance can be given that the IRS

will not challenge the conclusions set forth in the opinion or that a court would not sustain such a challenge. If, notwithstanding DXC's receipt of the opinion, the Spin-Off is determined to be taxable, DXC would recognize taxable gain as if it had sold the shares of Perspecta in a taxable sale for their fair market value, which could result in a substantial tax liability. In addition, if the Spin-Off is determined to be taxable, each holder of DXC common stock who receives shares of Perspecta would generally be treated as receiving a taxable distribution in an amount equal to the fair market value of the shares received, which could materially increase such holder's tax liability.

Even if the Spin-Off otherwise qualifies as a tax-free transaction, the Distribution could be taxable to DXC (but not to its stockholders) under Section 355(e) of the Code if 50% or more of the stock of either DXC or Perspecta is acquired, directly or indirectly, as part of a plan or series of related transactions that includes the Distribution. In this event, the resulting tax liability could be substantial. In connection with the Spin-Off, DXC will enter into a Tax Matters Agreement with Perspecta, under which Perspecta will agree not to undertake any transaction without DXC's consent that could reasonably be expected to cause the Spin-Off to be taxable to DXC and to indemnify DXC for any tax liabilities resulting from such transactions (excluding the Mergers). These obligations and potential tax liabilities could be substantial.

Under the Tax Matters Agreement, Perspecta will be restricted from taking certain actions that could adversely affect the intended U.S. federal income tax treatment of the Spin-Off and such restrictions could significantly impair Perspecta's ability to implement strategic initiatives that otherwise would be beneficial.

The Tax Matters Agreement will generally restrict us from taking certain actions after the Spin-Off that could adversely affect the intended U.S. federal income tax treatment of the Spin-Off. Failure to adhere to these restrictions, including in certain circumstances that may be outside of our control, could result in tax being imposed on DXC for which we could bear responsibility and for which we could be obligated to indemnify DXC. In addition, even if we are not responsible for tax liabilities of DXC under the Tax Matters Agreement, we nonetheless could be liable under applicable tax law for such liabilities if DXC were to fail to pay such taxes. Because of these provisions in the Tax Matters Agreement, we will be restricted from taking certain actions, particularly for the two years following the Spin-Off, including (among other things) the ability to freely issue stock, to make acquisitions and to raise additional equity capital. These restrictions could have a material adverse effect on our liquidity and financial condition, and otherwise could impair our ability to implement strategic initiatives. Also, our indemnity obligation to DXC might discourage, delay or prevent a change of control that our stockholders may consider favorable.

After the Spin-Off, certain of our directors and officers may have actual or potential conflicts of interest because of their previous or continuing positions at DXC.

Because of their current or former positions with DXC, certain of our expected directors and officers own DXC common stock and equity awards. Following the Spin-Off, even though our Board of Directors will consist of a majority of directors who are independent, some of our directors and officers will continue to have a financial interest in DXC common stock and equity awards. In addition, it is expected that one or more of the members on our Board of Directors may be employed by or otherwise associated with DXC. Continuing ownership of DXC common stock and equity awards, or service as a director at both companies could create, or appear to create, potential conflicts of interest if we have disagreements with DXC about the contracts between us that continue or face decisions that could have different implications for us and DXC.

We intend to enter into certain agreements with DXC that may constrain our ability to expand, and agree to numerous restrictions to preserve the tax-free treatment of the Distribution, which may reduce our strategic and operating flexibility.

We intend to enter into agreements with DXC prior to the Distribution that will restrict our ability to use certain IP to sell our services to customers other than U.S. federal government customers and our existing state

and local customer base for a period after the Distribution. In addition, we expect to appoint DXC as our exclusive agent outside the U.S. with regard to certain non-U.S. customers, subject to some exceptions, for a period after the Distribution. While we have no current plans to expand our existing business in ways that would require us to engage in business beyond the scope of the rights to IP we expect to have at the time of Distribution, we would be unable to engage in business activities outside the scope of that license after the Distribution until the expiration of those restrictions unless we develop or acquire new IP.

We may be unable to achieve some or all of the benefits that we expect to achieve from the Spin-Off.

We believe that, as an independent publicly-traded company, we will be able to, among other things, better focus our financial and operational resources on our specific business, implement and maintain a capital structure designed to meet our specific needs, design and implement corporate strategies and policies that are targeted to our business, more effectively respond to industry dynamics and create effective incentives for our management and employees that are more closely tied to our business performance. However, by separating from DXC, we may be more susceptible to market fluctuations and other adverse events. In addition, we may be unable to achieve some or all of the benefits that we expect to achieve as an independent company in the time we expect, if at all. If we fail to achieve some or all of the benefits that we expect to achieve as an independent company, or do not achieve them in the time we expect, our business, financial condition, results of operations and prospects could be adversely affected.

We may be unable to make, on a timely or cost-effective basis, the changes necessary to operate as an independent publicly-traded company, and we may experience increased costs after the Spin-Off.

We have historically operated as part of DXC's corporate organization, and DXC has provided us with various corporate functions. Following the Spin-Off, DXC will have no obligation to provide us with assistance other than the transition services described under "The Separation and Distribution Agreements and Ancillary Agreements" and "Certain Relationships and Related Party Transactions—Agreements with DXC." These services do not include every service that we have received from DXC in the past. Accordingly, following the Spin-Off, we will need to provide internally or obtain from unaffiliated third parties the services we currently receive from DXC. These services include IT, tax administration, treasury activities, technical accounting, benefits administration, procurement, legal and ethics and compliance program administration, the effective and appropriate performance of which are critical to our operations. We may be unable to replace these services in a timely manner or on terms and conditions as favorable as those we receive from DXC. Because our business has historically operated as part of the wider DXC organization, we may be unable to successfully establish the infrastructure or implement the changes necessary to operate independently, or may incur additional costs that could adversely affect our business. As part of DXC, we have benefited from DXC's size and purchasing power in procuring certain goods and services such as insurance and health care benefits, and technology such as computer software licenses. If we fail to obtain the quality of services necessary to operate effectively or incur greater costs in obtaining goods and services, our business, financial condition, results of operations and prospects may be adversely affected.

We have no recent operating history as an independent publicly-traded company, and our historical financial information is not necessarily representative of the results we would have achieved as an independent publicly traded company and may not be a reliable indicator of our future results.

We derived the USPS historical financial information included in this Information Statement from DXC's combined and consolidated financial statements, and this information does not necessarily reflect the results of operations and financial positions we would have achieved as an independent publicly-traded company during the periods presented, or those that we will achieve in the future. This is primarily because of the following factors:

- Prior to the Spin-Off, we operated as part of DXC's broader corporate organization and DXC performed various corporate functions for us, including IT, tax administration, treasury activities,

technical accounting, benefits administration, procurement, legal and ethics and compliance program administration. Our historical financial information reflects allocations of corporate expenses from DXC for these and similar functions. These allocations may not reflect the costs we will incur for similar services in the future as an independent publicly-traded company.

- We will enter into transactions with DXC that did not exist prior to the Spin-Off, such as DXC's provision of transition services, which will cause us to incur new costs.
- Our historical financial information does not reflect changes that we expect to experience in the future as a result of our separation from DXC, including changes in our cost structure, personnel needs, tax profile, financing and business operations. As part of DXC, we enjoyed certain benefits from DXC's operating diversity, size, purchasing power, borrowing leverage and available capital for investments, and we will lose these benefits after the Spin-Off. As an independent entity, we may be unable to purchase goods, services and technologies, such as insurance and health care benefits and computer software licenses, or access capital markets on terms as favorable to us as those we obtained as part of DXC prior to the Spin-Off.
- The Mergers will result in our consolidated operations and the results therefrom being substantially different than USPS's operations and the results therefrom and a result, our historical information will not necessarily reflect our results of operations going forward.

Following the Spin-Off, we will also be responsible for the additional costs associated with being an independent publicly-traded company, including costs related to corporate governance, investor and public relations and public reporting. Therefore, our financial statements may not be indicative of our future performance as an independent publicly-traded company. While we have been profitable as part of DXC, we cannot assure you that our profits will continue at a similar level when we are an independent publicly-traded company. For additional information about our past financial performance and the basis of presentation of our financial statements, see "Selected Historical Combined Financial Data for USPS," "Management's Discussion and Analysis of Financial Condition and Results of Operations of USPS" and our historical financial statements and the notes thereto included elsewhere in this Information Statement.

Our and Vencore's historical and pro forma financial data are not necessarily representative of the results the combined company would have achieved and may not be a reliable indicator of the combined company's future results.

Our and Vencore's historical and pro forma financial data included in this Information Statement may not reflect what our or Vencore's results of operations and financial position would have been had we been a combined company, and publicly traded, during the periods presented, or what the combined company's results of operations, financial condition and cash flows will be in the future. In addition, the pro forma financial data we have included in this Information Statement are based in part upon a number of estimates and assumptions. These estimates and assumptions may prove not to be accurate, and accordingly, our pro forma financial data should not be assumed to be indicative of what our financial condition or results of operations actually would have been as a combined company and may not be a reliable indicator of what our financial condition or results of operations actually may be in the future.

Some of the contracts to be transferred or assigned to us contain provisions requiring the consent of third parties in connection with the transactions contemplated by the Internal Reorganization and Distribution. If these consents are not obtained, we may be unable to enjoy the benefit of these contracts in the future.

Some of the contracts to be transferred or assigned to us in connection with the Internal Reorganization and Distribution contain provisions that require the consent of third parties to the Internal Reorganization, the Distribution or both. Failure to obtain such consents on commercially reasonable and satisfactory terms may impair our entitlement to the benefit of these contracts in the future.

Certain of the USPS legal entities, including Enterprise Services, will be required to change their names within six months of the Distribution. We expect to enter into a Change of Name agreement with the U.S. federal government to effect this name change, and will be required to complete various administrative tasks relating to completion of the change of name process for those contracts and contract vehicles held by those legal entities. While we do not expect the completion of the process to delay payments to us in any material respect on contracts affected by the name change, we may experience protest by competitors of new awards of contracts to us on grounds relating to the Spin-Off.

We may have been able to receive better terms from unaffiliated third parties than the terms we receive in our agreements with DXC that are based on the costs historically allocated to us by DXC.

We will enter into agreements with DXC related to our separation from DXC, including the Separation and Distribution Agreement, Transition Services Agreement, Tax Matters Agreement, Employee Matters Agreement, Intellectual Property Matters Agreement, Real Estate Matters Agreement and Non-U.S. Agency Agreement and any other agreements, while we are still part of DXC, that are based on the costs historically allocated to us by DXC. Accordingly, these agreements may not reflect terms that would have resulted from arms-length negotiations among unaffiliated third parties. Among other things, pursuant to the Intellectual Property Matters Agreement, DXC will retain ownership of all proprietary IP (other than certain restricted IP developed by us, which DXC will assign to us) and license certain rights we require for use solely in connection with U.S. federal and certain U.S. state and local government customers, on a perpetual, royalty-free, non-assignable basis. The terms of these agreements will relate to, among other things, allocations of assets, liabilities, rights, indemnifications and other obligations between DXC and us. We may have received better terms from third parties because third parties may have competed with each other to win our business. See “The Separation and Distribution Agreement and Ancillary Agreements” and “Certain Relationships and Related Party Transactions.”

Our potential indemnification liabilities pursuant to the Separation and Distribution Agreement could materially and adversely affect us.

The Separation and Distribution Agreement between us and DXC will provide for, among other things, the principal corporate transactions required to effect the Spin-Off, certain conditions to the Spin-Off and provisions governing the relationship between us and DXC after the Spin-Off. For a description of the Separation and Distribution Agreement, see “The Separation and Distribution Agreement and Ancillary Agreements—Separation Agreement.” Among other things, the Separation and Distribution Agreement will provide for indemnification obligations designed to make us financially responsible for substantially all liabilities that may exist relating to or arising out of our business. If we are required to indemnify DXC under the circumstances set forth in the Separation and Distribution Agreement, we may be subject to substantial liabilities.

In connection with the Spin-Off, DXC will indemnify us for certain liabilities. However, there can be no assurance that these indemnities will be sufficient to insure us against the full amount of such liabilities, or that DXC’s ability to satisfy its indemnification obligation will not be impaired in the future.

Pursuant to the Separation and Distribution Agreement and other agreements we will enter into in connection with the Spin-Off, DXC will agree to indemnify us for certain liabilities. However, third parties could seek to hold us responsible for any of the liabilities that DXC will agree to retain pursuant to these agreements, and there can be no assurance that DXC will be able to fully satisfy its indemnification obligations under these agreements. Moreover, even if we ultimately succeed in recovering from DXC any amounts for which we are held liable, we may be temporarily required to bear these losses while seeking recovery from DXC.

Risks Relating to our Common Stock and Capital Structure

No market for our common stock currently exists and an active trading market may not develop or be sustained after the Spin-Off. Following the Spin-Off our stock price may fluctuate significantly.

There is currently no public market for our common stock. We intend to apply to list our common stock on the NYSE. We anticipate that before the Distribution Date, trading of shares of our common stock will begin on a “when-issued” basis and this trading will continue up to and including the Distribution Date. However, an active trading market for our common stock may not develop as a result of the Spin-Off or may not be sustained in the future. The lack of an active market may make it more difficult for stockholders to sell our shares and could lead to our share price being depressed or volatile.

We cannot predict the prices at which our common stock may trade after the Spin-Off. The market price of our common stock may fluctuate widely, depending on many factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in our operating results due to factors related to our business;
- success or failure of our business strategies;
- our quarterly or annual earnings, or those of other companies in our industry;
- our ability to obtain financing as needed;
- announcements by us or our competitors of significant acquisitions or dispositions;
- changes in accounting standards, policies, guidance, interpretations or principles;
- the failure of securities analysts to cover our common stock after the Spin-Off;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- investor perception of our company and the IT services industry;
- overall market fluctuations;
- results from any material litigation or government investigation;
- changes in laws and regulations (including tax laws and regulations) affecting our business;
- changes in capital gains taxes and taxes on dividends affecting stockholders; and
- general economic conditions and other external factors.

Furthermore, our business profile and market capitalization may not fit the investment objectives of some DXC stockholders and, as a result, these DXC stockholders may sell their shares of our common stock after the Distribution. See “—Substantial sales of our common stock may occur in connection with the Spin-Off, which could cause our stock price to decline.” Low trading volume for our stock, which may occur if an active trading market does not develop, among other reasons, would amplify the effect of the above factors on our stock price volatility.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations could adversely affect the trading price of our common stock.

Substantial sales of our common stock may occur in connection with the Spin-Off, which could cause our stock price to decline.

DXC stockholders receiving shares of our common stock in the Distribution generally may sell those shares immediately in the public market. Although we have no actual knowledge of any plan or intention of any

significant DXC stockholder to sell our common stock following the Spin-Off, it is likely that some DXC stockholders, possibly including some of its larger stockholders, will sell their shares of our common stock received in the Distribution if, for reasons such as our business profile or market capitalization as an independent company, we do not fit their investment objectives or, in the case of index funds, we are not a participant in the index in which they are investing. Following the Mergers, approximately 14% of our outstanding shares of common stock (on a fully diluted basis, excluding certain unvested equity incentive awards) will be owned by Veritas Capital. Pursuant to the Side Letter Agreement, all of these shares will be eligible to be registered, subject to certain limitations, following the consummation of the Mergers. See “The Separation and Distribution Agreement and Ancillary Agreements—Side Letter Agreement”. These shares will also be eligible for resale in the public market without registration subject to volume, manner of sale and holding period limitations under Rule 144 under the Securities Act. The sales of significant amounts of our common stock or the perception in the market that this will occur may decrease the market price of our common stock.

The combined post-Spin-Off value of DXC common stock and our common stock may not equal or exceed the pre-Spin-Off value of DXC common stock.

We cannot assure you that the combined trading prices of DXC common stock and our common stock after the Spin-Off will be equal to or greater than the trading price of DXC common stock prior to the Spin-Off. Until the market has fully evaluated the business of DXC without our business, the price at which DXC common stock trades may fluctuate more significantly than might otherwise be typical. Similarly, until the market has fully evaluated the stand-alone business of our company, the price at which shares of our common stock trades may fluctuate more significantly than might otherwise be typical, including volatility caused by general market conditions.

We cannot assure you that we will pay dividends on our common stock, and our indebtedness may limit our ability to pay dividends on our common stock.

Following the Spin-Off, the timing, declaration, amount and payment of future dividends to stockholders will fall within the discretion of our Board of Directors. Our Board of Directors’ decisions regarding the payment of future dividends will depend on many factors, including our financial condition, earnings, capital requirements of our business and covenants associated with debt obligations, as well as legal requirements, regulatory constraints, industry practice and other factors that our Board of Directors deems relevant. For more information, see “Dividend Policy.” There can be no assurance that we will pay a dividend in the future or continue to pay any dividend if we do commence paying dividends, and there can be no assurance that, in the future, the combined annual dividends paid on DXC common stock, if any, and our common stock, if any, after the Spin-Off will equal the annual dividends on DXC common stock prior to the Spin-Off.

Your percentage ownership in Perspecta may be diluted in the future.

Your percentage ownership in Perspecta may be diluted in the future because of equity awards that we expect to grant to our directors, officers and other employees. Prior to completion of the Spin-Off, we expect to approve an incentive plan that will provide for the grant of common share-based equity awards to our directors, officers and other employees. In addition, we may issue equity as all or part of the consideration paid for acquisitions and strategic investments that we may make in the future or as necessary to finance our ongoing operations.

We have contracts with the U.S. federal government that are classified which may limit investor insight into portions of our business.

Over the last three fiscal years of USPS and Vencore, an average of 4% of the revenues of USPS and 52% of the revenues of Vencore were derived from classified programs with the U.S. federal government that are subject to security restrictions which preclude the dissemination of information that is classified for national

security purposes. We are limited in our ability to provide information about these classified programs, their risks or any disputes or claims relating to such programs. As a result, investors may have less insight into our classified programs than our other programs and therefore less ability to fully evaluate the risks related to our classified business.

Provisions in our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws and of Nevada law may prevent or delay an acquisition of our company, which could decrease the trading price of our common stock.

Several provisions of our Amended and Restated Articles of Incorporation, Amended and Restated Bylaws and Nevada law may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable. These include provisions that:

- permit us to issue blank check preferred stock as more fully described under “Description of Our Capital Stock Anti-takeover Effects of Various Provisions of Nevada Law and Our Amended and Restated Articles of Incorporation and Amended and Restated 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. Our Amended and Restated 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;
- require stockholders to follow certain advance notice and disclosure requirements in order to propose business or nominate directors at an annual or special meeting; and
- limit our ability to enter into business combination transactions with certain stockholders.

These and other provisions of our Amended and Restated Articles of Incorporation, Amended and Restated Bylaws and Nevada law may discourage, delay or prevent certain types of transactions involving an actual or a threatened acquisition or change in control of Perspecta, including unsolicited takeover attempts, even though the transaction may offer our stockholders the opportunity to sell their shares of our common stock at a price above the prevailing market price. See “Description of Our Capital Stock Anti-Takeover Effects of Various Provisions of Nevada Law and Our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws” for more information.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

All statements and assumptions contained in this Information Statement that do not directly and exclusively relate to historical facts constitute “forward-looking statements.” 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 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 our financial condition, results of operations, cash flows, business strategies, prospects, 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 our control. Important factors that could cause actual results to differ materially from those described in forward-looking statements include, but are not limited to:

- the inability or failure to perform under the various transaction agreements effecting Spin-Off or the Mergers;
- the ability to realize the synergies and benefits expected to result from the Mergers within the anticipated time frame or in the anticipated amounts;
- other risks related to the Spin-Off and the Mergers including anticipated tax treatment, unforeseen liabilities, and future capital expenditures;
- any issue that compromises our relationships with the U.S. federal government, or any state or local governments, or damages our professional reputation;
- changes in the U.S. federal government, state and local governments’ spending and mission priorities that shift expenditures away from agencies or programs that we support;
- the size of our addressable markets and the amount of U.S. federal government, state and local governments’ spending on private contractors;
- failure by us or our employees to obtain and maintain necessary security clearances or certifications;
- failure to comply with numerous laws and regulations;
- changes in government procurement, contract or other practices or the adoption by the government of new laws, rules and regulations in a manner adverse to us;
- the termination or nonrenewal of our contracts;
- our ability to compete effectively in the competitive bidding process and delays, contract terminations or cancellations caused by competitors’ protests of major contract awards received by us;
- increased competition from other companies in our industry;
- changes in senior management, the loss of key employees or the ability to retain and hire key personnel and maintain relationships with key business partners;
- business interruptions in connection with our technology systems;
- the competitive pressures faced by our business;
- the effects of macroeconomic and geopolitical trends and events;
- misconduct or other improper activities from our employees or subcontractors;
- our ability to accurately estimate or otherwise recover expenses, time and resources for our contracts;

- the protection of our IP assets, including IP licensed from third parties;
- whether we are able to realize any anticipated cost savings or synergies within the anticipated time frame or in the anticipated amounts;
- 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 us and our suppliers, customers and partners; and
- the resolution of pending investigations, claims and disputes.

There may be other factors that may cause our actual results to differ materially from the forward-looking statements, including factors disclosed under the sections titled “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations of USPS” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Vencore” in this Information Statement. You should evaluate all forward-looking statements made in this Information Statement in the context of these risks and uncertainties.

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. We do not undertake 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 Information Statement or to reflect the occurrence of unanticipated events, except as required by law.

THE TRANSACTIONS

Background

On October 11, 2017, DXC announced plans for the complete legal and structural separation of its USPS business and the subsequent combination of the USPS and Vencore businesses. In connection with this announcement, DXC highlighted that customers and investors in both the commercial and public sectors are recognizing the higher value of IT service providers with scale and differentiation. DXC indicated that separating its global commercial and USPS businesses, and combining the USPS business with the Vencore business, will accelerate transformation with two strategically focused companies, each uniquely positioned to lead its market by prioritizing the needs of its customers. This pure-play strategy is aimed at enhancing innovation and improving delivery in ways that are consistent with the rate and pace of the markets in which we and DXC operate.

With its combination with the enterprise services business of Hewlett Packard Enterprise Company (“HPE”) successfully completed over the last year, DXC has improved its market position. At the same time, markets have evolved rapidly, with diverging opportunities and challenges. On the commercial side, customers seek partners with a deep understanding of their business who can help lead their digital transformations. In the U.S. public sector, technology demands are increasing, and customers want providers with specific experience in government-focused innovation. DXC is now well positioned at this particular time to take advantage of this confluence of factors to maximize benefits to our stockholders, customers and employees. By separating, each business will have the scale as well as the focus to meet unique customer needs and market requirements. Furthermore, the combination of the USPS and Vencore businesses will create a top five services provider to the U.S. government, offering differentiated, mission-driven solutions in cybersecurity, big data analytics, cloud engineering, enterprise IT services, and systems engineering—all enabled by a portfolio of cutting-edge IP.

Perspecta will be a strategic partner to the U.S. government in solving the most demanding informational and national security challenges and driving technology modernization. With approximately \$4.1 billion in pro forma combined revenues and approximately \$66 million in pro forma combined net income for the twelve months ended October 31, 2016, and a highly skilled workforce of more than 14,000, Perspecta will serve a robust base of established and non-overlapping customers based on long-standing relationships.

Perspecta will provide meaningful scale and end-to-end technology solutions, leveraging a full spectrum of offering families and industry expertise to ensure broader access to customers, capabilities and contract vehicles. We believe that the Spin-Off will allow us to focus on, and more effectively pursue, our own distinct operating priorities and strategies, and will enable our management to concentrate efforts on the unique needs of our business. We also believe that the number of successful, stand-alone U.S. government focused IT service providers has reduced the benefits perceived by U.S. government customers of IT service providers operating as part of a larger organization. See also “Reasons for the Spin-Off and Mergers—Spin-Off”.

To effect the separation, DXC is undertaking the Internal Reorganization described under “The Separation and Distribution Agreement and Ancillary Agreements.” After giving effect to the Internal Reorganization, Perspecta, DXC’s wholly owned subsidiary, will hold the shares of the legal entities operating the USPS business.

Following the Internal Reorganization but prior to the Distribution, Perspecta will pay to DXC a cash distribution and/or will distribute debt securities of Perspecta to DXC, in an aggregate amount of \$984 million, which reflects the transaction consideration of \$1,050 million less an expected \$66 million in principal amount of the EDS Notes that will remain outstanding at a subsidiary of Perspecta, Enterprise Services, following the Internal Reorganization. We refer to this payment as the “Perspecta Payment.” Perspecta currently expects to make such payment through a cash distribution financed through borrowings under a new senior secured term loan facility.

In addition, Enterprise Services, a subsidiary of Perspecta following the Internal Reorganization, will retain contractual capitalized lease obligations with an aggregate outstanding balance of up to \$300 million, net of cash payments from DXC.

Following the Internal Reorganization and Perspecta Payment, DXC will distribute all of its equity interest in us, consisting of all of the outstanding shares of our common stock, to DXC's stockholders on a pro rata basis.

Following the Spin-Off, DXC will not own any equity interest in us, and we will operate independently from DXC. No approval of DXC's stockholders is required in connection with the Spin-Off, and DXC's stockholders will not have any appraisal rights in connection with the Spin-Off.

Completion of the Spin-Off is subject to the satisfaction, or the waiver of the board of directors of DXC, of a number of conditions. For a more detailed description, see "Conditions to the Spin-Off."

Following the Spin-Off, under the Merger Agreement and in accordance with Delaware law, KeyPoint Merger Sub will merge with and into KGS Holding Corp., with KGS Holding Corp. surviving the KeyPoint Merger. Concurrently Vencore Merger Corp. will merge with and into Vencore Holding Corp., with Vencore Holding Corp. surviving the First Vencore Merger. Immediately after the KeyPoint Merger and First Vencore Merger, Vencore Holding Corp. will merge with and into Vencore Merger LLC, with Vencore Merger LLC surviving the Second Vencore Merger. As a result of the Mergers, Vencore and KGS Holding Corp. will become wholly owned subsidiaries of Perspecta. For details of the structure of the transaction, see "The Merger Agreement."

Reasons for the Spin-Off and Mergers

The board of directors of DXC regularly conducts strategic reviews of its businesses. In reaching the decision to pursue the Spin-Off and Mergers, the board of directors of DXC considered a range of potential strategic alternatives for DXC, including the continuation of DXC's current operating strategy as well as potential acquisition and divestiture transactions. In evaluating these alternatives, the board of directors of DXC considered a number of factors, including the strategic focus and flexibility for DXC and Perspecta after the Spin-Off and Mergers, the ability of DXC and Perspecta to operate efficiently and effectively (including Perspecta's ability to retain and attract management talent) after the Spin-Off and Mergers, the financial profile of DXC, Perspecta and Vencore, the potential reaction of customers, employees and investors and the probability of successful execution of the various strategic alternatives and the risks associated with those alternatives.

As a result of this evaluation, the board of directors of DXC determined that proceeding with the Spin-Off and Mergers would be in the best interests of DXC and its stockholders. The board of directors of DXC considered the following potential benefits of this approach:

- *Strategic Focus and Flexibility.* Following the Spin-Off, DXC and Perspecta will each have a more focused business and be better able to dedicate financial and human capital resources to pursue appropriate growth opportunities and execute strategic plans best suited to its respective business. The Spin-Off will also allow each of DXC and Perspecta to enhance its strategic flexibility to respond to industry-unique dynamics. In the U.S. public sector, technology demands are increasing, and customers seek service providers with specific experience in government-focused systems and innovation. By separating, our business will have the scale as well as the market focus to meet unique customer needs and industry requirements. Further, the Spin-Off will allow the management of each of DXC and Perspecta to devote its time and attention to the development and implementation of corporate strategies and policies that are based primarily on the specific business characteristics of their respective companies
- *Expanded Expertise.* DXC highlighted the opportunity for USPS and Vencore, on a combined basis, to become a leading services provider to the U.S. government sector, with pro forma combined revenues and net income of approximately \$4.1 billion and \$66 million, respectively, for the twelve months

ended October 31, 2016, and a highly skilled workforce of more than 14,000. USPS and Vencore bring complementary capabilities in mission solutions and enterprise IT services, within an established and complementary client portfolio with minimal overlap. Further, Vencore is a clear market leader in the Investigative Services space, holding over 50% of the market. Our employees operate at the core of our clients' missions, with deep understanding of systems and missions.

- *Strategic Positioning in Consolidating Industry.* The combination of USPS and Vencore is a strategic move to position the combined company as the government IT Services industry consolidates. The combination of USPS and Vencore is expected to provide opportunities for the combined company to leverage its scope and scale to capitalize on future growth opportunities.
- *Management Incentives.* The Spin-Off will enable Perspecta to create incentives for its management and employees that are more closely tied to its business performance and stockholder expectations. Perspecta's equity-based compensation arrangements will more closely align the interests of Perspecta's management and employees with the interests of its stockholders and should increase Perspecta's ability to attract and retain personnel.
- *Capital Structure and Stockholder Flexibility.* The segments in which DXC and Perspecta expect to operate have historically had different growth profiles and cash flow dynamics. The Spin-Off will allow DXC and Perspecta to separately manage their capital strategies and cost structures and will allow investors to make independent investment decisions with respect to DXC and Perspecta, including the ability for Perspecta to achieve alignment with a more natural stockholder base. Investment in one or the other company may appeal to investors with different goals, strategies, interests and concerns.
- *Focused Investments.* While operating as part of DXC, internal investments were often directed according to DXC's strategic interests as a whole. The Spin-Off will allow Perspecta to focus our investments on projects that optimize returns for our own businesses supporting U.S. federal, state and local markets.
- *Synergies.* We expect the combination of USPS and Vencore to provide opportunities for cost savings and other operating synergies, which we currently estimate at \$58 million in annual cost savings within 36 months following the Mergers through the consolidation and integration of management systems, corporate overhead costs, improved facility efficiencies, lower vendor costs, and harmonization of benefits and human resource systems. We expect up to \$43 million in run-rate cost synergies to be implemented within the first 12-18 months upon completion of the Mergers. We believe our one-time costs to realize these recurring annual cost savings will be approximately \$36 million. The size of these expected cost synergies is partly a function of the significant steps DXC has already taken since the DXC Merger. Given the nature of the federal government contracting arrangements, and whereas a significant portion of our contracts portfolio are under cost-plus and time-and-material contract vehicles where our indirect cost factors are adjusted periodically, a portion of the realized cost synergy savings will be "given-back" over time in the form of lower prices to our customers. We believe these cost reductions and operating efficiencies will better position us to compete for federal government contracts as it will reduce costs for our customers and improve our competitiveness.

In determining whether to effect the Spin-Off, the board of directors of DXC considered the costs and risks associated with the Spin-Off, including the costs associated with preparing Perspecta to become an independent, publicly-traded company, the risk of volatility in our stock price immediately following the Spin-Off due to sales by DXC's stockholders whose investment objectives may not be met by our common stock, the time it may take for us to attract our optimal stockholder base, the possibility of disruptions in our business as a result of the Spin-Off, the risk that the combined trading prices of our common stock and DXC's common stock after the Spin-Off may drop below the trading price of DXC's common stock before the Spin-Off and the loss of synergies and scale from operating as one company. Notwithstanding these costs and risks, taking into account the factors discussed above, the board of directors of DXC determined that the Spin-Off was the best alternative to achieve the above benefits and enhance stockholder value.

In assessing and approving the Mergers, DXC considered that the expected value to DXC and its stockholders from pursuing the Mergers was greater than the value to DXC and its stockholders of the stand-alone Spin-Off. In addition to the factors noted above, DXC considered Vencore's business and prospects, after giving effect to the proposed acquisition by USPS, including expected synergies to be realized as a result of the Mergers. The board of directors of DXC also considered the potential risks and countervailing factors associated with the Mergers, including that the anticipated benefits of the Mergers might not be realized. After consideration of the above factors and based on information furnished by Vencore to DXC and the terms of the Merger Agreement and related agreements as finally negotiated by DXC, DXC concluded that the expected value to DXC and its stockholders from pursuing the Transactions was greater than the value to DXC and its stockholders of the stand-alone Spin-Off.

When and How You Will Receive Perspecta Shares

DXC will distribute to its stockholders, as a pro rata dividend, one share of our common stock for every two shares of DXC common stock outstanding as of _____, 2018, the Record Date of the Distribution.

Prior to the Spin-Off, DXC will deliver all of the issued and outstanding shares of our common stock to the distribution agent. EQ Shareowner Services will serve as distribution agent in connection with the Distribution and as transfer agent and registrar for our common stock.

If you own DXC common stock as of the close of business on _____, 2018, the shares of our common stock that you are entitled to receive in the Distribution will be issued to your account as follows:

- *Registered stockholders.* If you own your shares of DXC common stock directly through DXC's transfer agent, EQ Shareowner Services, you are a registered stockholder. In this case, the distribution agent will credit the shares of our common stock you receive in the Distribution by way of direct registration in book-entry form to a new account with our transfer agent. Registration in book-entry form refers to a method of recording share ownership where no physical stock certificates are issued to stockholders, as is the case in the Distribution. You will be able to access information regarding your book-entry account holding the Perspecta shares at shareowneronline.com or by calling EQ Shareowner Services at 800-468-9716.
- Commencing on or shortly after the Distribution Date, the distribution agent will mail to you an account statement that indicates the number of shares of our common stock that have been registered in book-entry form in your name. We expect it will take the distribution agent up to two weeks after the Distribution Date to complete the distribution of the shares of our common stock and mail statements of holding to all registered stockholders. Trading of our common stock will not be affected by this delay in issuance by the distribution agent.
- *"Street name" or beneficial stockholders.* Most DXC stockholders own their shares of DXC common stock beneficially through a bank, broker or other nominee. In these cases, the bank, broker or other nominee holds the shares in "street name" and records your ownership on its books. If you own your shares of DXC common stock through a bank, broker or other nominee, your bank, broker or other nominee will credit your account with the shares of our common stock that you receive in the Distribution on or shortly after the Distribution Date. We encourage you to contact your bank, broker or other nominee if you have any questions concerning the mechanics of having shares held in "street name."

If you sell any of your shares of DXC common stock on or before the Distribution Date, the buyer of those shares may in some circumstances be entitled to receive the shares of our common stock to be distributed in respect of the DXC shares you sold. See "Trading Prior to the Distribution Date" for more information.

We are not asking DXC stockholders to take any action in connection with the Spin-Off. No stockholder approval of the Spin-Off is required. We are not asking you for a proxy and request that you not send us a proxy.

We are also not asking you to make any payment or surrender or exchange any of your shares of DXC common stock for shares of our common stock. The number of outstanding shares of DXC common stock will not change as a result of the Spin-Off.

Number of Shares You Will Receive

On the Distribution Date, we will distribute one share of our common stock for every two shares of DXC common stock.

Treatment of Fractional Shares

The distribution agent will not distribute any fractional shares of our common stock in connection with the Distribution. Instead, the distribution agent will aggregate all fractional shares into whole shares and sell the whole shares in the open market at prevailing market prices on behalf of DXC stockholders entitled to receive a fractional share. The distribution agent will then distribute the aggregate cash proceeds of the sales, net of brokerage fees and other costs, pro rata to these holders (net of any required withholding for taxes applicable to each holder). The distribution agent will, in its sole discretion, without any influence by DXC or us, determine when, how, through which broker-dealer and at what price to sell the whole shares. The distribution agent is not, and any broker-dealer used by the distribution agent will not be, an affiliate of either DXC or us.

The distribution agent will send to each registered holder of DXC common stock entitled to a fractional share a check in the cash amount deliverable in lieu of that holder's fractional share as soon as practicable following the Distribution. We expect the distribution agent to take about two weeks after the Distribution to complete the distribution of cash in lieu of fractional shares to DXC stockholders. If you hold your shares through a bank, broker or other nominee, your bank, broker or nominee will receive, on your behalf, your pro rata share of the aggregate net cash proceeds of the sales. No interest will be paid on any cash you receive in lieu of a fractional share. The cash you receive in lieu of a fractional share will generally be taxable to you for U.S. federal income tax purposes. See "Material U.S. Federal Income Tax Consequences of the Distribution" below for more information.

Results of the Spin-Off

After the Spin-Off, we will be an independent publicly-traded company. Immediately following the Spin-Off, we expect to have approximately _____ registered holders of shares of our common stock and approximately _____ shares of our common stock outstanding, based on the number of DXC stockholders and shares of DXC common stock outstanding on _____, 2018. The actual number of shares of our common stock DXC will distribute in the Spin-Off will depend on the actual number of shares of DXC common stock outstanding on the Record Date, which will reflect any issuance of new shares or exercises of outstanding options pursuant to DXC's equity plans, and any repurchase of DXC shares by DXC under its common stock repurchase program, on or prior to the Record Date. The Spin-Off will not affect the number of outstanding shares of DXC common stock or any rights of DXC stockholders, although we expect the trading price of shares of DXC common stock immediately following the Distribution to be lower than immediately prior to the Distribution because the trading price of DXC common stock will no longer reflect the value of the USPS business. Furthermore, until the market has fully analyzed the value of DXC without the USPS business, the trading price of shares of DXC common stock may fluctuate.

Before our separation from DXC, we intend to enter into a Separation and Distribution Agreement and several other agreements with DXC related to the Spin-Off. These agreements will govern the relationship between Perspecta and DXC up to and after completion of the Spin-Off and allocate between Perspecta and DXC various assets, liabilities, rights and obligations, including employee benefits, IP and tax-related assets and liabilities. We describe these arrangements in greater detail under "The Separation and Distribution Agreement and Ancillary Agreements" and "Certain Relationships and Related Party Transactions—Agreements with DXC."

Listing and Trading of Our Common Stock

As of the date of this Information Statement, we are a wholly owned subsidiary of DXC. Accordingly, no public market for our common stock currently exists, although a “when-issued” market in our common stock may develop prior to the Distribution. See “Trading Prior to the Distribution Date” below for an explanation of a “when-issued” market. We intend to list our shares of common stock on the NYSE under the symbol “PRSP.” Following the Spin-Off, DXC common stock will continue to trade on the NYSE under the symbol “DXC.”

Neither we nor DXC can assure you as to the trading price of DXC common stock or our common stock after the Spin-Off, or as to whether the combined trading prices of our common stock and DXC common stock after the Spin-Off will be less than, equal to or greater than the “regular-way” trading price of DXC common stock prior to the Spin-Off. The trading price of our common stock may fluctuate significantly following the Spin-Off. See “Risk Factors—Risks Relating to Our Common Stock and the Securities Market” for more detail.

The shares of our common stock distributed to DXC stockholders will be freely transferable, except for shares received by individuals who are our affiliates. Individuals who may be considered our affiliates after the Spin-Off include individuals who control, are controlled by or are under common control with us, as those terms generally are interpreted for federal securities law purposes. These individuals may include some or all of our directors and executive officers. Individuals who are our affiliates will be permitted to sell their shares of our common stock only pursuant to an effective registration statement under the Securities Act of 1933, as amended (“Securities Act”) or an exemption from the registration requirements of the Securities Act, such as those afforded by Section 4(a)(1) of the Securities Act or Rule 144 thereunder.

Trading Prior to the Distribution Date

We anticipate that trading in our common stock will begin on a “when-issued” basis on or prior to the Record Date for the Distribution and will continue up to and including the Distribution Date. “When-issued” trading in this context refers to a sale or purchase of our common stock made conditionally on or before the Distribution Date, because the securities of the spun-off entity have not yet been distributed. On the first trading day following the Distribution Date, any “when-issued” trading of our common stock will end and “regular-way” trading of our common stock will begin. In this context, “regular-way” trading refers to trading after our common stock has been distributed and typically involves a trade that settles on the second full trading day following the date of the trade. We cannot predict the trading prices for our common stock before, on or after the Distribution Date.

We also anticipate that, on or shortly before the Record Date and continuing up to and including the Distribution Date, there will be two markets in DXC common stock: a “regular-way” market and an “ex-dividend” market. Shares of DXC common stock that trade on the “regular-way market” will trade with the entitlement to receive shares of our common stock in the Distribution. Shares that trade on the ex-dividend market will trade without the entitlement to receive shares of our common stock in the Distribution. Therefore, if you sell shares of DXC common stock in the “regular-way” market up to and including the Distribution Date, you will be selling your right to receive shares of our common stock in the Distribution. If you hold shares of DXC common stock on the Record Date and then decide to sell any shares of DXC common stock before the Distribution Date, you should make sure your stockbroker, bank or other nominee understands whether you want to sell your shares of DXC common stock with or without your entitlement to our common stock pursuant to the Distribution.

Following the Distribution Date, we expect shares of our common stock to be listed on the NYSE under the trading symbol “PRSP.” If “when-issued” trading occurs, the listing for our common stock is expected to be under a trading symbol different from our regular-way trading symbol. We will announce our “when-issued” trading symbol when and if it becomes available. If the Spin-Off does not occur, all “when-issued” trading will be null and void.

Conditions to the Spin-Off

We expect that the separation will be effective on the Distribution Date, provided that the following conditions shall have been satisfied or waived by DXC:

- the board of directors of DXC shall have approved the Internal Reorganization and the Distribution and shall have declared the distribution of Perspecta common stock to DXC stockholders;
- the ancillary agreements contemplated by the Separation and Distribution Agreement shall have been executed by each party to those agreements;
- the SEC shall have declared effective our Registration Statement on Form 10, of which this Information Statement is a part, under the Exchange Act, and no stop order suspending the effectiveness of the Registration Statement shall be in effect and no proceedings for that purpose shall be pending before or threatened by the SEC;
- our common stock shall have been accepted for listing on the NYSE or another national securities exchange approved by DXC, subject to official notice of issuance;
- DXC shall have received a written opinion of its outside tax advisor that is in form and substance reasonably acceptable to DXC, and which shall remain in full force and effect, regarding the qualification of the Distribution as tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code;
- the Internal Reorganization shall have been completed;
- the Perspecta Payment shall have been made to DXC;
- no order, injunction or decree issued by any governmental authority of competent jurisdiction or other legal restraint or prohibition preventing consummation of the Distribution shall be in effect, and no other event outside the control of DXC shall have occurred or failed to occur that prevents the consummation of the Distribution;
- prior to the Distribution Date, this Information Statement shall have been mailed to the holders of DXC common stock as of the Record Date;
- DXC shall have duly elected the individuals to be listed as members of our post-Distribution Board of Directors in this Information Statement, and such individuals shall be the members of our Board of Directors immediately after the Distribution; and
- prior to the Distribution Date, the board of directors of DXC shall have obtained opinions from a nationally recognized valuation firm, in form and substance satisfactory to DXC, with respect to the capital adequacy and solvency of each of DXC and Perspecta after giving pro forma effect to the Spin-Off and the Perspecta Payment.

The fulfillment of the above conditions will not create any obligation on DXC's part to effect the Spin-Off. We are not aware of any material federal, foreign or state regulatory requirements with which we must comply, other than SEC rules and regulations, or any material approvals that we must obtain, other than the approval for listing of our common stock and the SEC's declaration of the effectiveness of the Registration Statement, in connection with the Distribution.

Conditions to Consummation of the Mergers

The obligations of each party to consummate the Mergers are subject to the satisfaction or waiver (to the extent permitted by applicable law) of closing conditions that are contained in the Merger Agreement, including:

- the Spin-Off having occurred and the Perspecta Payment having been paid pursuant to the terms of the Separation and Distribution Agreement;

- the receipt of all consents, approvals and authorizations by governmental authorities;
- the expiration or termination of any required waiting period under the HSR Act, which condition was satisfied on December 22, 2017;
- the effectiveness of the registration statement of which this Information Statement forms a part in connection with the Distribution, and the approval for listing on the NYSE or NASDAQ of the shares of Perspecta common stock to be issued in the Distribution and the Mergers, subject to official notice of issuance;
- the absence of any order issued by any governmental authority of competent jurisdiction or other legal impediment preventing or making illegal the consummation of the Mergers; and
- DXC shall have received a written opinion of its outside tax advisor that is in form and substance reasonably acceptable to DXC, and which shall remain in full force and effect, regarding the qualification of the Distribution as tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code.

In addition, DXC, Perspecta, Vencore Merger Corp, Vencore Merger LLC and KeyPoint Merger Sub's obligations to consummate the Mergers are subject to the satisfaction or waiver (to the extent permitted by applicable law) of the following conditions:

- certain fundamental representations and warranties of Vencore Holding Corp. and KGS Holding Corp., disregarding all materiality or material adverse effect qualifications, being true and correct in all respects in each case as of the effective time of the Mergers as if made as of the effective time of the Mergers;
- the representations and warranties of Vencore Holding Corp., KGS Holding Corp., the Vencore Stockholder and the KeyPoint Stockholder, disregarding all materiality or material adverse effect qualifications, being true and correct in all respects in each case as of the effective time of the Mergers as if made as of the effective time of the Mergers (except to the extent such representations and warranties address matters as of a particular date, in which case as of such date), except where the failure to be true and correct has not had or would not, individually or in the aggregate, reasonably be expected to be a Vencore/KeyPoint Material Adverse Effect (as defined below—see “The Merger Agreement”) (other than the certain fundamental representations and warranties which must be true and correct in all respects);
- the covenants and agreements being performed by the stockholders of Vencore Holding Corp., KGS Holding Corp., the Vencore Stockholder and the KeyPoint Stockholder in all material respects at or prior to the effective time of the Mergers (other than certain covenants and agreements which must be performed in all respects, subject to de minimis exceptions);
- the delivery by Vencore Holding Corp. and KGS Holding Corp. of an officer's certificate certifying the satisfaction of the above conditions, and the delivery by the Vencore Stockholder and KeyPoint Stockholder of a certificate certifying the satisfaction of the above conditions;
- the absence of a Vencore/KeyPoint Material Adverse Effect since June 30, 2017; and
- the termination of certain stockholder agreements between Vencore Holding Corp. and the Vencore Stockholder and KGS Holding Corp. and the KeyPoint Stockholder, without liability to Perspecta or its subsidiaries following the effective time of the Mergers.

Furthermore, the obligations of Vencore Holding Corp. and KGS Holding Corp. to consummate the Mergers are subject to the satisfaction or waiver (to the extent permitted by applicable law) of the following conditions:

- certain representations and warranties of DXC, Perspecta, Vencore Merger Corp, Vencore Merger LLC and KeyPoint Merger Sub, disregarding all materiality or material adverse effect qualifications, being

true and correct in all respects in each case as of the effective time of the Mergers as if made as of the effective time of the Mergers (except to the extent such representations and warranties address matters as of a particular date, which must be true and correct as of the specified date);

- the representations and warranties of DXC, Perspecta, Vencore Merger Corp, Vencore Merger LLC and KeyPoint Merger Sub, disregarding all materiality or material adverse effect qualifications, being true and correct in all respects in each case as of the effective time of the Mergers as if made as of the effective time of the Mergers (except to the extent such representations and warranties address matters as of a particular date, in which case as of such date), except where the failure to be true and correct has not had or would not, individually or in the aggregate, reasonably be expected to be an Perspecta Material Adverse Effect (as defined—see “The Merger Agreement”) (other than the certain representations and warranties which must be true and correct in all respects);
- the covenants and agreements being performed by DXC, Perspecta, Vencore Merger Corp, Vencore Merger LLC and KeyPoint Merger Sub in all material respects at or prior to the effective time of the Mergers;
- the delivery by Perspecta of an officer’s certificate certifying the satisfaction of the above conditions;
- the absence of any Perspecta Material Adverse Effect since June 30, 2017; and
- the entrance into and delivery of the applicable Transaction Agreements by DXC and Perspecta, which are in full force and effect.

To the extent permitted by applicable law, each party to the Merger Agreement may waive, at its sole discretion, any of the conditions to its respective obligations to complete the Mergers.

Regulatory Approvals

Under the HSR Act, and the rules promulgated under the HSR Act by the U.S. Federal Trade Commission (the “FTC”), the parties must file notification and report forms with the FTC and the Antitrust Division of the Department of Justice (the “Antitrust Division”) and observe specified waiting period requirements before consummating the Mergers. Perspecta filed the requisite notification and report forms with the FTC and the Antitrust Division on October 25, 2017. The waiting period in respect of those notifications expired on December 22, 2017.

Accounting Treatment

The combined financial information presented in the Information Statement was prepared using the purchase method of accounting, with Perspecta treated as the “acquirer” of Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries for accounting purposes.

Reasons for Furnishing this Information Statement

We are furnishing this Information Statement solely to provide information to DXC’s stockholders who will receive shares of our common stock in the Distribution. You should not construe this Information Statement as an inducement or encouragement to buy, hold or sell any of our securities or any securities of DXC. We believe that the information contained in this Information Statement is accurate as of the date set forth on the cover. Changes to the information contained in this Information Statement may occur after that date, and neither we nor DXC undertake any obligation to update the information except in the normal course of our and DXC’s public disclosure obligations and practices.

THE MERGER AGREEMENT

The following is a summary of material provisions of the Merger Agreement, which we entered into on October 11, 2017. This summary is qualified in its entirety by reference to the full text of the Merger Agreement which is filed as an exhibit to the Registration Statement of which this Information Statement forms a part.

The Merger

Under the Merger Agreement and in accordance with Delaware law, KeyPoint Merger Sub will merge with and into KGS Holding Corp., with KGS Holding Corp. surviving the KeyPoint Merger, and concurrently Vencore Merger Corp will merge with and into Vencore Holding Corp., with Vencore Holding Corp. surviving the First Vencore Merger, and immediately after the KeyPoint Merger and First Vencore Merger, Vencore Holding Corp. will merge with and into Vencore Merger LLC, with Vencore Merger LLC surviving the Second Vencore Merger. As a result of the Mergers, Vencore Merger LLC and KGS Holding Corp. will become wholly owned subsidiaries of Perspecta.

Closing and Effective Time

The Mergers will occur following the consummation by DXC of the Perspecta Payment and Spin-Off pursuant to the Separation and Distribution Agreement between DXC and Perspecta and all other Separation Agreements (as defined below).

Under the terms of the Merger Agreement, the closing of the Mergers will take place on a date and at a time to be specified by the parties to the Merger Agreement (the “Closing Date”), which will be no later than the third business day after the satisfaction or, to the extent permitted by applicable law, waiver of the conditions set forth in the Merger Agreement and discussed below in “Conditions to Consummation of the Mergers”; provided, however, that if such date is not the business day nearest in time to the first financial month end of Perspecta following such date (the “Next Month End”), then DXC may elect to have the closing will take place on the Next Month End, unless another date is agreed to in writing by the parties, provided that DXC shall not have the right to make such an election if it would result in the Closing Date on or after the Termination Date.

On the Closing Date, Vencore Merger Corp., Vencore Merger LLC, Vencore Holding Corp., KGS Holding Corp. and KeyPoint Merger Sub will execute and file with the office of the Secretary of State of the State of Delaware the necessary certificates of merger executed in accordance with the DGCL and the Delaware Limited Liability Company Act. The Mergers will become effective at the time of filing of the necessary certificates of merger, or at such later time as is agreed upon by the parties and set forth in such certificate of merger.

Merger Consideration

At the effective time of the First Vencore Merger, all of the outstanding shares of Vencore Holding Corp. common stock will be automatically converted into the right to receive, in the aggregate, merger consideration consisting of (1) \$400 million in cash (the “Cash Merger Consideration”); and (2) shares of Perspecta common stock representing in the aggregate approximately 11.38% of the total number of shares of Perspecta common stock outstanding immediately after the effective time of the First Vencore Merger (on a fully diluted basis, excluding certain unvested equity incentive awards) (the “Vencore Stock Merger Consideration”).

At the effective time of the KeyPoint Merger, all of the outstanding shares of KGS Holding Corp. common stock will be automatically converted into the right to receive, in the aggregate, merger consideration consisting of shares of Perspecta common stock representing in the aggregate approximately 2.65% of the total number of shares of Perspecta common stock outstanding immediately after the effective time of the KeyPoint Merger (on a fully diluted basis, excluding certain unvested equity incentive awards) (the “KeyPoint Stock Merger Consideration”; and together with the Vencore Stock Merger Consideration, the “Stock Merger Consideration”).

Following the effective time of the Mergers, all shares of Vencore Holding Corp. common stock and KGS Holding Corp. common stock will be automatically cancelled and cease to exist.

Transaction Agreements

Forms of the agreements that will govern the terms of the Spin-Off are attached as exhibits to the Merger Agreement, including the Separation and Distribution Agreement, an Employee Matters Agreement, an Intellectual Property Matters Agreement, a Non-U.S. Agency Agreement, a Real Estate Matters Agreement, a Tax Matters Agreement, and a Transition Services Agreement (the “Separation Agreements”). Additionally, Perspecta and Veritas Capital Management entered into a Letter Agreement that will require Perspecta to grant certain registration rights to stockholders of Vencore Holding Corp. and KGS Holding Corp. after the Mergers. See “The Separation and Distribution Agreement and Ancillary Agreements.”

Conditions to Consummation of the Mergers

The obligations of each party to consummate the Mergers are subject to the satisfaction or waiver (to the extent permitted by applicable law) of closing conditions that are contained in the Merger Agreement, including:

- the Spin-Off having occurred and the Perspecta Payment having been paid pursuant to the terms of the Separation and Distribution Agreement;
- the receipt of all consents, approvals and authorizations by governmental authorities;
- the expiration or termination of any required waiting period under the HSR Act, which condition was satisfied on December 22, 2017;
- the effectiveness of the registration statement of which this Information Statement forms a part in connection with the Distribution, and the approval for listing on the NYSE or NASDAQ of the shares of Perspecta common stock to be issued in the Distribution and the Mergers, subject to official notice of issuance;
- the absence of any order issued by any governmental authority of competent jurisdiction or other legal impediment preventing or making illegal the consummation of the Mergers; and
- DXC shall have received an opinion of Skadden Arps reaching at least a should level conclusion, in form and substance reasonably acceptable to DXC, dated as of the Closing Date, to the effect that, on the basis of the facts and customary representations and assumptions set forth or referred to in such opinion and in certain tax representation letters, for U.S. federal income tax purposes (i) the Spin-Off should qualify as a “reorganization” within the meaning of Section 368(a)(1)(D) of the Code; (ii) each of DXC and Perspecta should be a “party to a reorganization” within the meaning of Section 368(b) of the Code with respect to the Spin-Off, (iii) the Distribution should qualify as (1) a tax-free spin-off, resulting in nonrecognition under Sections 355(a), 361 and 368(a) of the Code, and (2) a transaction in which the stock distributed thereby should constitute “qualified property” for purposes of Sections 355(d), 355(e) and 361(c) of the Code, and (iv) none of the Mergers should cause Section 355(e) of the Code to apply to the Distribution.

In addition, DXC, Perspecta, Vencore Merger Corp, Vencore Merger LLC and KeyPoint Merger Sub’s obligations to consummate the Mergers are subject to the satisfaction or waiver (to the extent permitted by applicable law) of the following conditions:

- certain fundamental representations and warranties of Vencore Holding Corp. and KGS Holding Corp. being true and correct in all respects in each case as of the effective time of the Mergers as if made as of the effective time of the Mergers (except to the extent such representations and warranties address matters as of a particular date, in which case as of such date);
- the representations and warranties of Vencore Holding Corp., KGS Holding Corp., the Vencore Stockholder and the KeyPoint Stockholder, disregarding all materiality or material adverse effect

qualifications, being true and correct in all respects in each case as of the effective time of the Mergers as if made as of the effective time of the Mergers (except to the extent such representations and warranties address matters as of a particular date, in which case as of such date), except where the failure to be true and correct has not had or would not, individually or in the aggregate, reasonably be expected to be a Vencore/KeyPoint Material Adverse Effect or a Vencore Stockholder and KeyPoint Stockholder MAE (as defined below—see “The Merger Agreement”) (other than the certain fundamental representations and warranties which must be true and correct in all respects);

- the covenants and agreements being performed by the stockholders of Vencore Holding Corp., KGS Holding Corp., the Vencore Stockholder and the KeyPoint Stockholder in all material respects at or prior to the effective time of the Mergers (other than certain covenants and agreements which must be performed in all respects, subject to de minimis exceptions);
- the delivery by Vencore Holding Corp. and KGS Holding Corp. of an officer’s certificate certifying the satisfaction of the above conditions, and the delivery by the Vencore Stockholder and KeyPoint Stockholder of a certificate certifying the satisfaction of the above conditions;
- the absence of a Vencore/KeyPoint Material Adverse Effect since June 30, 2017; and
- the termination of certain stockholder agreements between Vencore Holding Corp. and the Vencore Stockholder and KGS Holding Corp. and the KeyPoint Stockholder, without liability to Perspecta or its subsidiaries following the effective time of the Mergers.

Furthermore, the obligations of Vencore Holding Corp. and KGS Holding Corp. to consummate the Mergers are subject to the satisfaction or waiver (to the extent permitted by applicable law) of the following conditions:

- certain representations and warranties of DXC, Perspecta, Vencore Merger Corp, Vencore Merger LLC and KeyPoint Merger Sub, disregarding all materiality or material adverse effect qualifications, being true and correct in all respects in each case as of the effective time of the Mergers as if made as of the effective time of the Mergers (except to the extent such representations and warranties address matters as of a particular date, which must be true and correct as of the specified date);
- the representations and warranties of DXC, Perspecta, Vencore Merger Corp, Vencore Merger LLC and KeyPoint Merger Sub, disregarding all materiality or material adverse effect qualifications, being true and correct in all respects in each case as of the effective time of the Mergers as if made as of the effective time of the Mergers (except to the extent such representations and warranties address matters as of a particular date, in which case as of such date), except where the failure to be true and correct has not had or would not, individually or in the aggregate, reasonably be expected to be an Perspecta Material Adverse Effect (as defined—see “The Merger Agreement”) (other than the certain representations and warranties which must be true and correct in all respects);
- the covenants and agreements being performed by DXC, Perspecta, Vencore Merger Corp, Vencore Merger LLC and KeyPoint Merger Sub in all material respects at or prior to the effective time of the Mergers;
- the delivery by Perspecta of an officer’s certificate certifying the satisfaction of the above conditions;
- the absence of any Perspecta Material Adverse Effect since June 30, 2017;
- the entrance into and delivery of the applicable Transaction Agreements by DXC and Perspecta, which are in full force and effect.

To the extent permitted by applicable law, each party to the Merger Agreement may waive, at its sole discretion, any of the conditions to its respective obligations to complete the Mergers.

Regulatory Approvals

Under the HSR Act, and the rules promulgated under the HSR Act by the U.S. Federal Trade Commission (the “FTC”), the parties must file notification and report forms with the FTC and the Antitrust Division of the

Department of Justice (the “Antitrust Division”) and observe specified waiting period requirements before consummating the Mergers. Perspecta filed the requisite notification and report forms with the FTC and the Antitrust Division on October 25, 2017. The waiting period in respect of those notifications expired on December 22, 2017.

Representations and Warranties

The Merger Agreement contains substantially reciprocal customary representations and warranties that DXC, Perspecta, Vencore Holding Corp., KGS Holding Corp., Vencore Merger Corp., Vencore Merger LLC and KeyPoint Merger Sub made to each other as of specific dates. The Vencore Stockholder and the KeyPoint Stockholder also made representations and warranties with respect to, among other things, its capital structure and status as an investor.

The representations and warranties by each of DXC, Perspecta, Vencore Holding Corp., KGS Holding Corp., Vencore Merger Corp., Vencore Merger LLC, KeyPoint Merger Sub in the Merger Agreement relate to, among other things:

- due organization, good standing, corporate power;
- capitalization;
- authority to enter into the Merger Agreement (and other transaction-related agreements);
- no conflicts with or violations of governance documents, other obligations or laws;
- financial statements;
- absence of undisclosed liabilities;
- absence of certain changes or events;
- litigation and similar actions;
- employee benefit matters;
- compliance with applicable laws and ownership of certain licenses;
- environmental matters;
- tax matters;
- IP matters;
- ownership of real and personal property;
- existence and enforceability of material contracts;
- labor and employment matters;
- insurance;
- payment of fees to brokers or finders in connection with the Merger Agreement;
- existence and enforceability of government contracts;
- compliance with export controls; and
- affiliate transactions.

In addition, DXC and Perspecta made representations and warranties that relate to:

- sufficiency of funds necessary to make the Perspecta Payment and consummate the Mergers;

- DXC's guarantee of Perspecta's obligation to make the Perspecta Payment being in full force and effect;
- sufficiency of Perspecta's assets; and
- accuracy and completeness of Perspecta's Registration Statement on Form 10 including this Information Statement.

In addition to making representations and warranties related to corporate power, authority to enter into the Merger Agreement (and additional agreements) and no conflicts with, or violation of, governance documents, or other obligations or laws, the Vencore Stockholder and the KeyPoint Stockholder also made representations to DXC and Perspecta relating to no public sale or distribution of Perspecta common stock, accredited investor status, reliance on exemptions from the U.S. securities laws, access to information, absence of governmental review of the investment in and offering of Perspecta common stock and the transfer or resale of Perspecta common stock.

Many of the representations and warranties contained in the Merger Agreement are subject to a "material" or "material adverse effect" standard and none survive the closing.

Under the Merger Agreement, an "Perspecta Material Adverse Effect" means any effect, change or circumstance, individually or in the aggregate, that is, or would reasonably be expected to be, materially adverse to (1) the USPS business, Perspecta or any of its subsidiaries, or the operations, assets, prospects, financial condition or results of operations of the USPS business, taken as a whole, or (2) the ability of DXC, Perspecta or any of their respective subsidiaries to consummate the Merger and to perform their obligations under the Merger Agreement and the Transaction Agreements. However, any adverse effect, change or circumstance, individually or in the aggregate, arising from or relating to the following will not be deemed either to constitute, or be taken into account in determining whether there has occurred an Perspecta Material Adverse Effect (but only if the USPS business, Perspecta or its subsidiaries are not disproportionately affected thereby):

- general business or economic conditions in the United States;
- conditions that generally affect the industry in which Perspecta operates;
- national or international political or social conditions, including the engagement by the U.S. in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the U.S., or any of its territories, possessions or diplomatic or consular offices or upon any military installation, equipment or personnel of the U.S.;
- natural or man-made disasters or acts of God;
- financial, banking or securities markets;
- changes in GAAP; and
- any failure of any government bid to result in Perspecta being granted a government contract; the existence of any protest initiated by any third party with respect to any government bid or government contract of Perspecta, or the failure of any protest relating to a government bid or government contract initiated by Perspecta;
- the credit ratings of Perspecta or the failure of Perspecta to meet projections or forecasts;
- any actions that are required to be taken by the Separation Agreements, or the pendency or announcement of the Spin-Off.

In addition, the term "Vencore/KeyPoint Material Adverse Effect" means any effect, change or circumstance, individually or in the aggregate, that is, or would reasonably be expected to be, materially adverse to (1) Vencore Holding Corp., KGS Holding Corp., their respective subsidiaries, their business, operations,

assets, prospects, financial condition or results of operations of Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries, taken as a whole, or (2) the ability of Vencore Holding Corp. or KGS Holding Corp. to consummate the Merger and to perform its obligations under the Merger Agreement and the Transaction Agreements. However, any adverse effect, change or circumstance, individually or in the aggregate, arising from or relating to the following will not be deemed either to constitute, or be taken into account in determining whether there has occurred a Vencore/KeyPoint Material Adverse Effect (but only if Vencore Holding Corp. or KGS Holding Corp. and their respective subsidiaries are not disproportionately affected thereby):

- general business or economic conditions;
- conditions that generally affect the industry in which Vencore Holding Corp. and KGS Holding Corp. and their respective subsidiaries operate;
- national or international political or social conditions, including the engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the United States, or any of its territories, possessions or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States;
- natural or man-made disasters or acts of God;
- financial, banking or securities markets; and
- changes in GAAP;
- any failure of any government bid to result in Vencore Holding Corp. or KGS Holding Corp. or their respective subsidiaries being granted a government contract; the existence of any protest initiated by any third party with respect to any government bid or government contract of Vencore Holding Corp. or KGS Holding Corp. or their respective subsidiaries, or the failure of any protest relating to a government bid or government contract initiated by Vencore Holding Corp. or KGS Holding Corp. or their respective subsidiaries;
- the credit ratings of Vencore Holding Corp. or KGS Holding Corp. or their respective subsidiaries or the failure of Vencore Holding Corp. or KGS Holding Corp. or their respective subsidiaries to meet projections or forecasts; and
- any actions that are required to be taken by the Separation Agreements, or the pendency or announcement of the Spin-Off.

Covenants

In the Merger Agreement, each of DXC and Perspecta and each of their respective subsidiaries have made certain covenants relating to its conduct in respect of the USPS business, and the Vencore Stockholder and the KeyPoint Stockholder and its subsidiaries has made certain covenants relating to its conduct of its business, with certain exceptions specified in the Merger Agreement. Some of these covenants are not easily summarized. You are urged to read carefully the sections of the Merger Agreement entitled “Conduct of the Business Pending the Merger.” The following summarizes the more significant of these covenants:

Conduct of Business

Each of DXC and Perspecta, with respect to the USPS business, and each of Vencore Holding Corp. and KGS Holding Corp., with respect to the Vencore business, agrees to and to cause its respective subsidiaries to carry on its respective business in the ordinary course consistent with past practice and to use commercially reasonable efforts to preserve intact its respective current business organization, maintain material rights and licenses, keep available the services of key employees and preserve relationships with customers, suppliers and others having business dealings.

Required Consent

Without the prior written consent of the other parties to the Merger Agreement, subject to certain exceptions and items disclosed in the schedules to the Merger Agreement, none of DXC (with respect to the USPS business only), Perspecta or any of their respective subsidiaries may take any or all of the following actions or authorize, commit or agree to take any of the following actions, other than as contemplated by the Separation Agreements:

- issue, sell, pledge, dispose of or encumber any shares of capital stock of any class or any options, warrants, convertible securities or other rights of any kind to acquire any shares of capital stock, or any other ownership interest; or accelerate the timing of payments or vesting under, or otherwise materially amend or supplement, any existing benefit, stock option compensation plan or arrangement, except as otherwise provided for in the Merger Agreement;
- amend or propose to amend or otherwise change the certificate of incorporation or bylaws or similar governance documents;
- enter into a transaction, acquire by merging or consolidating with, or by purchasing any equity interest in or the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof with value in excess of \$15 million;
- enter into a transaction, sell, lease, pledge, encumber, transfer, license or otherwise dispose of any of its assets, excluding the disposition for fair market value in the ordinary course of business of assets having a fair market value not exceeding \$10 million in the aggregate;
- incur indebtedness (other than capital leases) that will exist after the Effective Time in an aggregate principal amount exceeding the amount of the Perspecta Payment, the Cash Merger Consideration, the amount of indebtedness under existing credit facilities of Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries as of the Closing Date, and the total amount of transaction expenses payable or reimbursable by Perspecta under the Merger Agreement;
- adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other material reorganization or any other transaction that would preclude or be inconsistent in any material respect with, or hinder or delay in any material respect, the transactions contemplated by the Merger Agreement or the Transaction Agreements;
- except for arm's length commercial arrangements entered into in the ordinary course of business consistent with past practice, enter into or amend any contract or arrangement with respect to the USPS business with any of their respective affiliates;
- make any material change in the methods of accounting or procedures of Perspecta and its subsidiaries or the USPS business in effect as of June 30, 2017, except: (1) as required by changes in GAAP or as approved by the audit committee of the DXC board of directors; (2) as may be made in response to SEC guidance, in each case, as concurred with in writing by DXC's or Perspecta's independent auditors; or (3) as may be required in connection with the transactions contemplated by the Merger Agreement or the Transaction Agreements, so long as any such changes are in accordance with GAAP and neither DXC nor Perspecta shall change Perspecta's fiscal year;
- enter into any contract or arrangement that limits or restricts the entity from engaging in its business in any material respect; or
- agree or commit to do any of the actions inconsistent with the foregoing restrictions and limitations.

Without the prior written consent of the other parties to the Merger Agreement, subject to certain exceptions and items disclosed in the schedules to the Merger Agreement, none of Vencore Holding Corp. or KGS Holding Corp. or their respective subsidiaries may take any or all of the following actions or authorize, commit or agree to take any of the following actions:

- declare, set aside or pay dividends on or make other distributions in respect of any shares of the capital stock or partnership or equity interests of itself or any of its subsidiaries;

- split, combine or reclassify any of its capital stock or issue or propose to issue any other securities;
- amend the terms or change the period of exercisability of, purchase, repurchase, redeem or otherwise acquire any securities of any of their respective subsidiaries or propose to do any of the foregoing;
- issue, sell, pledge, dispose of or encumber any shares of capital stock of any class or any options, warrants, convertible securities or other rights of any kind to acquire any shares of capital stock, or any other ownership interest; or accelerate the timing of payments or vesting under, or otherwise materially amend or supplement, any existing benefit, stock option compensation plan or arrangement, except as otherwise provided for in the Merger Agreement;
- amend or propose to amend or otherwise change the certificate of incorporation or bylaws or similar governance documents;
- enter into a transaction, acquire by merging or consolidating with, or by purchasing any equity interest in or the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof;
- enter into a transaction, sell, lease, pledge, encumber, transfer, license or otherwise dispose of any of its assets, excluding the disposition for fair market value in the ordinary course of business of assets having a fair market value not exceeding \$1,000,000 in the aggregate;
- obligate the surviving LLC or its subsidiaries to pay any amounts or assume any obligations at or after the effective time of the Second Merger in any of the following ways:
 - incur any indebtedness or otherwise become contingently liable for any such indebtedness or issue or sell any debt securities or warrants or rights to acquire any debt securities of the Vencore Stockholder and the KeyPoint Stockholder or any of its subsidiaries or guarantee any debt securities of others or enter into any material lease other than in connection with operating leases in the ordinary course of business;
 - issue any debt securities or assume, guarantee or endorse, or otherwise as an accommodation become responsible for, the obligations of any person for borrowed money or otherwise;
 - make any loans, advances, capital contributions to or investments in any other person other than as specified in the Merger Agreement;
 - authorize capital expenditures or purchases of fixed assets in excess of \$5,000,000 among Vencore Holding Corp. and its subsidiaries or in excess of \$1,500,000 among KGS Holding Corp. and its subsidiaries;
 - incur liabilities secured by an encumbrance on its assets other than in the ordinary course of business;
- except pursuant to the terms of any collective bargaining agreement or benefit plans in effect or as required by law, grant any material increase in compensation or fringe benefits to its employees (other than in the ordinary course of business or that would not reasonably be expected to become a liability of Perspecta or its subsidiaries, or in the ordinary course of business of the base salaries to non-executive officers in connection with customary salary reviews and promotions);
- pay or agree to pay to any of its employees any pension, retirement allowance, severance benefit or other material employee benefit not required by any of the existing benefit plans of Vencore Holding Corp. or its subsidiaries, or KGS Holding Corp. or its subsidiaries, as in effect on the date of the Merger Agreement, except as would not reasonably be expected to result in a liability of Perspecta or its subsidiaries;
- except in the ordinary course of business, or as otherwise permitted by the Merger Agreement, enter into any new, or terminate or materially amend any existing collective bargaining agreement or relationship, employment, severance or termination contract or other arrangement with any of its

employees or their representatives, provided that any such new collective bargaining agreement or any termination of or material amendment to any such existing collective bargaining agreement in the ordinary course of business shall be subject to review by Perspecta senior management reasonably in advance of the conclusion of such negotiations, and Perspecta senior management shall have been informed periodically of the status of negotiations with respect thereto;

- (A) become obligated under any new pension plan, welfare plan, employee benefit plan, severance plan, benefit arrangement or similar plan or arrangement, or (B) or amend any such existing plan or arrangement other than (I) in the ordinary course of business, (II) as would not result in a material increase in the annual aggregate cost of maintaining such plan, (III) as would not reasonably be expected to result in a liability of Perspecta or its subsidiaries, or (IV); in connection with annual ordinary course of business renewals of health and welfare plans;
- except to the extent that it has obtained written consent from DXC or Perspecta or as required by Law, grant any equity-based compensation to any of its employees, directors or independent contractors;
- make any offer for the employment or engagement of any of its employees or other individual on a full-time, part-time, or consulting basis providing for an annual compensation in excess of \$300,000, other than hires in the ordinary course of business to fill vacancies in non-executive officer positions as of the date of the Merger Agreement or due to departures following the date of the Merger Agreement;
- implement any distribution center, facility, warehouse or business unit closing or mass layoff that could implicate the Worker Adjustment and Retraining Notification Act of 1988;
- make any loan to any director, officer or member of its senior management, or except in the ordinary course of business and in compliance with applicable law, to any of its other employees;
- adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other material reorganization or any other transaction that would preclude or be inconsistent in any material respect with, or hinder or delay in any material respect, the transactions contemplated by the Merger Agreement or the Transaction Agreements;
- except in the ordinary course of business, or if such action would not be binding on Perspecta or any of its subsidiaries or would not reasonably be expected to result in a material increase in tax liability or a material decrease in tax attributes for Perspecta or any of its subsidiaries after the effective time of the Mergers, or as required by law: change or rescind any material tax election or tax accounting method; settle, compromise or abandon any material action or controversy relating to taxes; amend any material tax returns; adopt or change any material method of tax accounting or change any annual tax accounting period; or consent to any extension or waiver of the limitation period applicable to any material tax claim or assessment in filing tax returns;
- except as contemplated by the Transaction Agreements or for arm's length commercial arrangements entered into in the ordinary course of business, enter into or amend any contract or arrangement with any of their respective affiliates other than with wholly owned subsidiaries of Vencore Stockholder and KeyPoint Stockholder;
- except in the ordinary course of business, modify, amend, terminate or enter into any material contract of Vencore Holding Corp. or KGS Holding Corp. or their respective subsidiaries with a third party, or waive, release or assign any material rights or claims of Vencore Holding Corp. or KGS Holding Corp. or their respective subsidiaries thereunder;
- enter into any contract or arrangement that limits or restricts the entity from engaging in its business;
- pay discharge, satisfy or settle any action, other than any action in respect of taxes, if such payment would (1) require any material payment prior to the effective time of the Second Merger, or (2) restrict operations in any material respect or require the taking of action that would, or would reasonably be expected to, materially and adversely, affect the operation of business;

- enter into any contract or arrangement that limits or restricts the entity from engaging in its business;
- enter into any agreement between Vencore Holding Corp. and the Vencore Stockholder or KGS Holding Corp. and the KeyPoint Stockholder or Vencore Holding Corp., KGS Holding Corp. or their respective subsidiaries on the one hand and the Vencore Stockholder, the KeyPoint Stockholder or any affiliate of the Vencore Stockholder and KeyPoint Stockholder or incur any obligations to pay any amounts to the Vencore Stockholder and the KeyPoint Stockholder or stockholder or affiliate of the Vencore Stockholder and the KeyPoint Stockholder;
- sell, transfer, exclusively license, abandon, let lapse, encumber or otherwise dispose of any IP that is necessary to carry on the business substantially as currently conducted, except, in each case, in the ordinary course of business; or
- agree or commit to do any of the actions inconsistent with the foregoing restrictions and limitations.

Employee Matters

Perspecta will cause any employee benefit plans of Perspecta and its subsidiaries in which an individual who is a current employee of Vencore or one of its subsidiaries on the effective date of the Mergers (the “Affected Employees”) is entitled to participate after the Closing Date (such plans, the “New Plans”) to take into account for purposes of eligibility, vesting and, under any plan providing severance benefits or paid time off, level of benefits, service by Affected Employees credited by Vencore and its subsidiaries prior to the effective date of the Mergers as if such service were with Perspecta or its subsidiaries (except for purposes of any defined benefit pension plans, if any, or to the extent it would result in a duplication of benefits) .

With respect to any New Plans, Perspecta will take reasonable steps to cause the surviving entities and their respective subsidiaries to: (1) cause there to be waived any eligibility requirements or pre-existing condition limitations or waiting period requirements to the same extent waived under comparable plans prior to the time coverage under the New Plans commences; and (2) give effect, in determining any deductible, co-insurance and maximum out-of-pocket limitations, amounts paid by Affected Employees under comparable specified Vencore plans during the year in which coverage under the New Plans commences.

Prior to the Closing Date, each of Vencore Holding Corp. and KGS Holding Corp. will (i) use commercially reasonable efforts to obtain a written waiver from each individual who is, or could reasonably be expected to be as of the Closing, a “disqualified individual” (as defined in Section 280G(c) of the Code) of the portion of any and all payments and benefits that could reasonably be deemed a “parachute payment” (as defined in Section 280G(b)(2) of the Code) and could result in the imposition of an excise tax on such individual pursuant to Section 4999 of the Code and/or a loss of any tax deduction pursuant to Section 280G of the Code, and (ii) submit to the Vencore Stockholder and KeyPoint Stockholder, as applicable, for a shareholder vote on the right of any “disqualified individual” (as defined in Section 280G(c) of the Code) to receive any and all waived payments (or other benefits) contingent on the consummation of the transactions contemplated by the Merger Agreement to the extent necessary so that no payment received by such “disqualified individual” would be a “parachute payment” under Section 280G(b) of the Code. Prior to the Closing Date, each of Vencore Holding Corp. and KGS Holding Corp. will have delivered to DXC and Perspecta evidence reasonably satisfactory to DXC and Perspecta that the Vencore Stockholder and KeyPoint Stockholder, as applicable, approval, if necessary, was solicited in conformance with Section 280G and the regulations promulgated thereunder.

If requested by DXC no later than 30 days prior to the Closing Date, each of Vencore Holding Corp. and KGS Holding Corp. shall terminate any of their respective plans that are a defined contribution plan intended to be qualified under Section 401(a) of the Code prior to the Closing Date (each, a “Qualified Plan Termination”). If a Qualified Plan Termination is requested, Perspecta shall maintain or establish (or cause the surviving entities and their respective subsidiaries to maintain or establish), as of the Closing Date, a New Plan that is a defined contribution plan intended to be qualified under Section 401(a) of the Code (a “New DC Plan”) in which the

Affected Employees shall be eligible to participate as of the Closing Date. To the extent any Affected Employee is entitled to an “eligible rollover distribution” (as defined in Section 402(c)(4) of the Code) from an existing Vencore plan, as applicable, he or she will be permitted to transfer such eligible rollover distribution, including any participant loan, in a direct rollover to the New DC Plan and Perspecta will use commercially reasonable efforts to enable such direct rollovers to occur before any such participant loans become defaulted.

Competition Approvals

Each party to the Merger Agreement agreed to use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary under applicable laws and regulations to consummate and make effective the Mergers and the Transaction Agreements, including providing information and using their commercially reasonable efforts to file or cause to be filed as promptly as practicable after the date of this Merger Agreement its respective filings under the HSR Act to obtain all necessary approvals, and to lift any injunction or other legal bar to the Mergers, as promptly as practicable, and to take all other actions necessary to consummate the Mergers contemplated hereby in a manner consistent with applicable law.

Directors and Officers Indemnification; Insurance

The Merger Agreement provides that for a period of at least six years after the effective time of the Second Merger, the combined company will indemnify and hold harmless, and provide advancement of expenses, subject to certain conditions, to all past and present directors or officers of Perspecta, Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries and each individual who prior to the effective time of the Mergers becomes a director or officer of Perspecta, Vencore Holding Corp., KGS Holding Corp. or their respective subsidiaries, to the maximum extent allowed under applicable law in respect of acts or omissions occurring at or prior to the effective time of the Second Merger. The Merger Agreement also provides that the combined company will maintain in effect for the benefit of such individuals directors’ and officers’ liability and fiduciary liability insurance for a period of six years following the Mergers, provided that in no event will Vencore Merger LLC be required to pay for such policies an annual premium in excess of 300% of the total premiums per annum paid by Vencore Holding Corp. or KGS Holding Corp., as applicable, in its last full fiscal year.

Non-Solicitation of Employees and Customers

Subject to certain exceptions set forth in the Merger Agreement, the Vencore Stockholder and the KeyPoint Stockholder agreed that for a period of one year from and after the Closing Date, it and its subsidiaries would not, without the prior written consent of the combined company, approach, solicit, induce or attempt to induce certain restricted employees from leaving the employ of the combined company or hire, employ or enter into a consulting agreement with certain restricted employees unless such employee ceased to be an employee or was terminated six months prior to his or her employment.

Spin-Off

DXC and Perspecta agreed to use reasonable best efforts to complete the exhibits and schedules to the Separation Agreements as soon as reasonably practicable following the date of the Merger Agreement. In preparing such exhibits and schedules to be attached the Separation Agreements prior to the Distribution, DXC and Perspecta agree that they will not include any item, term or provision in any such exhibit or schedule if the inclusion of such item, term or provision would result in the assets, liabilities, financial condition or results of operation of the USPS business deviating in a material respect from the financial presentation of the USPS business set forth in the disclosure schedule to the Merger Agreement. Unless the Merger Agreement is terminated pursuant to Section 9.1 thereof, DXC and Perspecta also agreed that (A) they will not amend or modify any of the Separation Agreements to include any item, term or provision that would result in such Separation Agreement not being substantially in the form attached to the Merger Agreement, (B) Perspecta will

not grant or agree to any consent, agreement or waiver pursuant to the terms of such Separation Agreement that would result in such Separation Agreement not being performed substantially on the terms and conditions set forth in the form attached to the Merger Agreement, and (C) DXC will not waive any condition to the Spin-Off set forth in the Separation and Distribution Agreement, in each case, without the prior written consent of the Vencore Stockholder and the KeyPoint Stockholder (not to be unreasonably withheld).

Tax Matters

All parties shall cooperate and use their respective reasonable best efforts (including executing tax representation letters) in order for DXC to obtain the opinion of Skadden Arps reaching at least a should level conclusion, in form and substance reasonably acceptable to DXC, dated as of the Closing Date, to the effect that, on the basis of the facts and customary representations and assumptions set forth or referred to in such opinion and in certain tax representation letters, for U.S. federal income tax purposes (i) the Spin-Off should qualify as a “reorganization” within the meaning of Section 368(a)(1)(D) of the Code; (ii) each of DXC and Perspecta should be a “party to a reorganization” within the meaning of Section 368(b) of the Code with respect to the Spin-Off, (iii) the Distribution should qualify as (1) a tax-free spin-off, resulting in nonrecognition under Sections 355(a), 361 and 368(a) of the Code, and (2) a transaction in which the stock distributed thereby should constitute “qualified property” for purposes of Sections 355(d), 355(e) and 361(c) of the Code, and (iv) none of the Mergers should cause Section 355(e) of the Code to apply to the Distribution.

If there is a “determination” within the meaning of Section 1313(a) of the Code that the First and Second Vencore Mergers, taken together, do not qualify as a reorganization described in Section 368(a) of the Code, Perspecta agreed to take the position for U.S. federal income tax purposes that the First Vencore Merger was a “qualified stock purchase” within the meaning of Section 338 of the Code and the Second Vencore Merger qualified as a “complete liquidation” described in Section 332 of the Code or as a “reorganization” described in Section 368(a) of the Code.

The Merger Agreement is intended to constitute a “plan of reorganization” within the meaning of Treasury Regulations Sections 1.368-2(g) and 1.368-3(a). Each applicable party shall use its reasonable best efforts to ensure the intended tax-free status, and none of the parties shall take any action or fail to take any action, which action or failure to act could reasonably be expected to preclude the intended tax-free status. Each of the parties shall report, for income tax purposes, the Spin-Off and the Mergers in a manner consistent with the intended tax-free status. Perspecta shall use its commercially reasonable efforts (including executing customary representation letters) to cooperate with Vencore to allow Vencore to receive an opinion from (i) Vencore Holding Corp.’s counsel that the First and Second Vencore Mergers, taken together, will qualify as a “reorganization” within the meaning of Section 368(a) of the Code, and (ii) KGS Holding Corp.’s counsel that the KeyPoint Merger will qualify as a “reorganization” within the meaning of Section 368(a) of the Code.

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:

- preparation of financial statements of Perspecta and Vencore;
- an exchange offer by DXC for certain existing notes currently held by an Perspecta subsidiary;
- an exchange offer by Perspecta in connection with the Perspecta Payment;
- cooperation among the parties relating to the prompt preparation and filing of the registration statement of which this Information Statement forms a part in connection with the Distribution;
- prior to the effective time of the Mergers, the approval of the listing on the NYSE or NASDAQ of the Perspecta common stock issued pursuant to the Distribution and the Mergers;

- Perspecta's actions as may be required under state securities or blue sky laws in connection with the issuance of shares of Perspecta common stock pursuant to the Distribution and the Mergers;
- assistance as any party may reasonably request and as may be reasonably necessary or appropriate in effectuating the provisions of the Merger Agreement;
- cooperation of any third parties necessary for each party to fulfill its obligations under the Merger Agreement;
- confidentiality, reasonable access with respect to certain information relating to the parties and the preservation of records following the effective time of the Second Merger;
- the making of public announcements or press releases with respect to the Mergers;
- defense of litigation and other actions attempting to challenge, enjoin, restrain or prohibit the consummation of the Mergers;
- the notification of events, the occurrence or nonoccurrence of which could result in a closing condition to the Merger Agreement being incapable of being fulfilled;
- the termination of certain stockholders agreements between Vencore Holding Corp. and KGS Holding Corp. and their respective stockholders, without liability to Perspecta or its subsidiaries following the effective time of the Mergers; and
- a guarantee by DXC of certain obligations of Perspecta under the Merger Agreement.

Amendment; Extension; Waiver

The Merger Agreement may be amended by the parties at any time. Prior to the effective time of the Mergers, the parties may extend the time for the performance of any of the obligations or other acts of the parties or waive any inaccuracies in the representations and warranties or compliance with any of the agreements or conditions contained in the Merger Agreement.

Termination of the Merger Agreement; Termination Fees

The Merger Agreement may be terminated at any time before the effective time of the Mergers by the mutual written consent of DXC, Vencore Holding Corp. and KGS Holding Corp. It may also be terminated by either DXC or Vencore Holding Corp. and KGS Holding Corp. if:

- the effective time of the Mergers has not occurred on or before October 1, 2018 unless the failure to effect the Merger by that date is due to the failure of the party seeking to terminate the Merger Agreement to perform its obligations set forth in the Merger Agreement;
- if any law or order of any governmental authority preventing or prohibiting the completion of the Mergers has become final and nonappealable; or
- if the Perspecta Payment or Spin-Off are incapable of occurring because the conditions set forth in the Separation and Distribution Agreement are incapable of being satisfied prior to October 1, 2018.

The Merger Agreement may also be terminated by:

- the Vencore Stockholder and the KeyPoint Stockholder at any time before the effective time of the Mergers if there has been a material breach by DXC or Perspecta of any of its representations, warranties or covenants or agreements contained in the Merger Agreement, or any such representation and warranty has become untrue in any material respect, and such breach or inaccuracy has not been cured within 30 business days following notice of such breach or there has been a material breach by DXC or Perspecta of their obligations to consummate the Spin-Off and pay the Perspecta Payment (so long as the Vencore Stockholder and the KeyPoint Stockholder is not then in material breach of any

covenant, representation or warranty or other agreement contained in the Merger Agreement which breach would cause the closing conditions of DXC or Perspecta not to be satisfied if the closing were to occur at the time of termination); or

- DXC at any time before the effective time of the Mergers if there has been a material breach by the Vencore Stockholder and the KeyPoint Stockholder of any of its representations, warranties or covenants or agreements contained in the Merger Agreement, or any such representation and warranty has become untrue in any material respect, and such breach or inaccuracy has not been cured within 30 business days following notice of such breach (so long as DXC is not then in material breach of any covenant, representation or warranty or other agreement contained in the Merger Agreement which breach would cause the closing conditions of the Vencore Stockholder and the KeyPoint Stockholder or the stockholder of the Vencore Stockholder and the KeyPoint Stockholder that are party to the Merger Agreement not to be satisfied if the closing were to occur at the time of termination).

In the event the Merger Agreement is terminated because DXC is unable to obtain the Spin-Off tax opinion on or before October 1, 2018, a termination fee of \$50 million may be payable by DXC to Vencore Holding Corp. and KGS Holding Corp. upon termination of the Merger Agreement under specified circumstances.

Fees and Expenses

All transaction expenses (as defined in the Merger Agreement) will be paid by the party incurring such fees or expenses. Notwithstanding the foregoing, if the Mergers are consummated, all transaction expenses incurred by Vencore Holding Corp., KGS Holding Corp. or any of their respective subsidiaries, or the Vencore Stockholder and the KeyPoint Stockholder will be borne by Vencore Merger LLC and KeyPoint Merger Sub, respectively, and all transaction expenses incurred by DXC, Perspecta or any of their subsidiaries will be borne by Perspecta. All separation expenses (as defined in the Separation and Distribution Agreement) related to the Internal Reorganization and Distribution incurred by DXC, Perspecta or any of their subsidiaries will be borne by DXC.

THE SEPARATION AND DISTRIBUTION AGREEMENT AND ANCILLARY AGREEMENTS

The following are summaries of the material provisions of the Separation and Distribution Agreement and ancillary agreements that we intend to enter into before the Distribution. These summaries are qualified in their entirety by reference to the full text of the Separation and Distribution Agreement and ancillary agreements which are filed as an exhibit to Perspecta's Registration Statement on Form 10, as amended, of which this Information Statement forms a part.

Separation and Distribution Agreement

We intend to enter into a Separation and Distribution Agreement with DXC before the Distribution. The Separation and Distribution Agreement will set forth our agreements with DXC regarding the principal actions to be taken in connection with the Spin-Off. It will also set forth other agreements that govern aspects of our relationship with DXC following the Spin-Off.

Internal Reorganization. The Separation and Distribution Agreement will provide for the transfers of assets and assumptions of liabilities that are necessary in advance of the Distribution so that Perspecta or its wholly owned subsidiaries holds the assets of, and the liabilities associated with, the USPS business, and certain additional actions related to the Spin-Off that will occur prior to the Distribution.

Allocated Cost Protection. If the annualized cost of performing certain USPS activities identified by the Separation Agreement as "corporate dedicated and corporate shared expenses," (the "USPS Corporate Expenses") as calculated during the most recent three-month period for which financial information is reasonably available preceding the Distribution Date, exceeds \$116 million, then DXC will pay Perspecta within 120 days after the Distribution Date an amount not to exceed \$25 million that consists of the excess of such USPS Corporate Expenses over \$116 million and Perspecta's reasonable expenses (including projected severance and other restructuring costs) in connection with reducing the total USPS Corporate Expenses to \$116 million. Additionally, DXC will work with Perspecta management to prepare a budget for USPS Corporate Expenses for the twelve months following the Distribution Date (the "FY 19 Corporate Expense Budget"). If Perspecta's pro rata share of the FY 19 Corporate Expense Budget exceeds \$116 million, then DXC will pay Perspecta within 120 days after the Distribution Date an amount not to exceed \$25 million that consists of the excess of such USPS Corporate Expenses over \$116 million and Perspecta's reasonable expenses (including projected severance and other restructuring costs) in connection with reducing the total FY 19 Corporate Expense Budget to \$116 million.

Capitalized Lease Obligations. If the aggregate outstanding balance of contractual capitalized lease obligations that are liabilities of Perspecta on the Distribution Date, other than capitalized lease obligations in respect of new contracts awarded after the date of the Merger Agreement, exceeds \$300 million and, within 180 days of the Distribution Date, DXC has failed to take steps necessary to reduce the aggregate outstanding balance thereunder below \$300 million, then DXC shall pay Perspecta an amount equal to the excess over \$300 million.

Intercompany Arrangements. All agreements, arrangements, commitments and understandings, including most intercompany accounts payable or accounts receivable, between us on the one hand, and DXC on the other hand, will terminate effective as of the Distribution, except specified agreements and arrangements that are intended to survive the Distribution.

Shared Contracts. We and DXC will use commercially reasonable efforts to work together in an effort to divide, partially assign, modify or replicate any contract or agreement of ours, DXC's or any of our or their respective affiliates, if such contract or agreement relates in any material respect to both the USPS business and the businesses and operations conducted by DXC and its subsidiaries other than the USPS business. We expect that division, assignment, modification or replication to result in the assumption by USPS of certain related vendor and customer commitments.

Credit Support. We will agree to arrange, prior to the Distribution, for the replacement of all guarantees, covenants, indemnities, surety bonds, letters of credit or similar assurances of credit support currently provided by or through DXC or any of its affiliates for the benefit of Perspecta or any of its affiliates. Perspecta will indemnify DXC or the applicable affiliate that is the guarantor or obligor thereunder from and against any losses incurred after the Distribution with respect to any such assurances of credit support that the parties are unable to replace prior to the Distribution.

Representations and Warranties. In general, neither we nor DXC will make any representations or warranties regarding any assets or liabilities transferred or assumed, any consents or approvals that may be required in connection with these transfers or assumptions, the value or freedom from any lien or other security interest of any assets transferred, the absence of any defenses relating to any claim of either party or the legal sufficiency of any conveyance documents. Except as expressly set forth in the Separation and Distribution Agreement or in the ancillary separation agreements, all assets will be transferred on an “as is,” “where is” basis.

Further Assurances. The parties will use commercially reasonable efforts to effect any transfers contemplated by the Separation and Distribution Agreement that have not been consummated prior to the Distribution as promptly as practicable following the Distribution Date. In addition, the parties will agree to effect any transfer or re-transfer of any asset or liability that was improperly transferred or retained as promptly as practicable following the Distribution.

The Distribution. The Separation and Distribution Agreement will govern DXC’s and our respective rights and obligations regarding the proposed Distribution. Prior to the Distribution, DXC will deliver all the issued and outstanding shares of our common stock to the distribution agent. Following the Distribution, the distribution agent will electronically deliver the shares of our common stock to DXC stockholders based on the distribution ratio.

Perspecta Payment. The Separation and Distribution Agreement will require the Perspecta Payment to be transferred to DXC prior to the Distribution. The Perspecta Payment, which reflects the expected \$66 million in principal amount of the EDS Notes that will remain outstanding following the Internal Reorganization, is expected to consist of a cash distribution to DXC in the aggregate amount of \$984 million, unless such cash payment is further reduced by any additional EDS Notes outstanding and/or paid in the form of the distribution of new issued debt of Perspecta to DXC. The form of the Perspecta Payment will be determined by DXC. Perspecta currently expects to make the Perspecta Payment through a cash distribution financed through borrowings under a new senior secured term loan facility. To the extent that any portion of the Perspecta Payment consists of the distribution by Perspecta of debt securities of Perspecta, the debt securities of Perspecta is expected to have market terms consistent with comparably rated issuers at the time of issuance. Perspecta currently expects approximately \$66 million in principal amount of the EDS Notes will remain outstanding at Enterprise Services following the Internal Reorganization. In the event that the principal amount of EDS Notes remain outstanding is greater than \$66 million, then the Perspecta Payment shall be further reduced by the additional principal amount of EDS Notes that remain outstanding at the Internal Reorganization.

Conditions. The Separation and Distribution Agreement will also provide that several conditions must be satisfied or waived by DXC in its sole and absolute discretion before the Distribution can occur. For further information about these conditions, see “The Transactions—Conditions to the Spin-Off.” The board of directors of DXC may, in its sole and absolute discretion, determine the Record Date, the Distribution Date and the terms of the Perspecta Payment.

Non-competition. The Separation and Distribution Agreement will also provide that (1) DXC and we will be restricted from engaging in certain business activities in certain areas of the U.S. state and local government field, (2) DXC will be restricted from engaging in business activities in the U.S. federal government field and

(3) we will be restricted from engaging in business activities in the commercial field, each for a period of two years after the Distribution.

Exchange of Information. We and DXC will agree to provide each other with information reasonably necessary to comply with reporting, disclosure, filing or other requirements of any national securities exchange or governmental authority, for use in judicial, regulatory, administrative and other proceedings and to satisfy audit, accounting, litigation and other similar requests. We and DXC will also agree to use reasonable best efforts to retain such information in accordance with our respective record retention policies as in effect on the date of the Separation and Distribution Agreement. Until the end of the first full fiscal year following the Distribution, each party will also agree to use its reasonable best efforts to assist the other with its financial reporting and audit obligations.

Indemnification. We and DXC will each agree to indemnify the other and certain affiliates and related persons against certain liabilities incurred in connection with the Spin-Off and our and DXC's respective businesses. These indemnities are principally designed to place financial responsibility for the obligations and liabilities of our business with us and financial responsibility for the obligations and liabilities of DXC's business with DXC. Specifically, each party will indemnify, defend and hold harmless the other party, its affiliates and subsidiaries and each of its officers, directors, employees and agents for any losses arising out of or due to (1) the failure to pay, perform or otherwise discharge any of the liabilities or alleged liabilities each such party assumed or retained pursuant to the Separation and Distribution Agreement and (2) any breach by such party of the Separation and Distribution Agreement or any ancillary agreement unless such ancillary agreement expressly provides for separate indemnification therein, in which case any such indemnification claims must be made thereunder. The amount of each party's indemnification obligations will be subject to reduction by any insurance proceeds received by the party being indemnified. The Separation and Distribution Agreement will also specify procedures regarding claims subject to indemnification.

Transition Services Agreement

We intend to enter into a Transition Services Agreement pursuant to which DXC will provide us, and we will provide DXC, with specified services to help ensure an orderly transition following the Distribution. The costs of services to be provided under the Transition Services Agreement will reflect the costs DXC has historically allocated to the Perspecta business for such services multiplied by a markup plus any applicable expenses associated with the relevant service. DXC and Perspecta are continuing to discuss and assess the scope of services required under the Transition Services Agreement and the necessary duration of such services. Each party will agree to provide transition services in a manner consistent with how such service was performed prior to the Distribution, subject to any modifications or upgrades required by the business operations of a party. The Transition Services Agreement contains typical provision disclaiming liability and warranties by each party, and a limited mutual indemnity providing that each party will indemnify the other for losses resulting from such party's gross negligence or willful misconduct.

Tax Matters Agreement

We intend to enter into a Tax Matters Agreement with DXC that will govern the respective rights, responsibilities and obligations of DXC and us after the Spin-Off with respect to all tax matters and will include restrictions designed to preserve the tax-free status of the Distribution. As a subsidiary of DXC, we have (and will continue to have following the Spin-Off) several liability to the IRS for the full amount of the consolidated U.S. federal income taxes of the DXC consolidated group relating to the taxable periods in which we were part of that group. However, the Tax Matters Agreement will specify the portion, if any, of this tax liability for which we will bear responsibility, and we will agree to indemnify DXC against any amounts for which we are responsible and DXC will agree to indemnify us against any amounts for which we are not responsible. The Tax Matters Agreement will also provide special rules for allocating tax liabilities in the event that the Spin-Off is not tax-free. The Tax Matters Agreement will provide for certain covenants that may restrict our ability to pursue strategic or other transactions that otherwise could maximize the value of our business and may discourage or

delay a change of control that you may consider favorable. For example, unless we (or DXC, as applicable) were to receive a private letter ruling from the IRS or an opinion from a nationally recognized tax advisor, or DXC were to grant us a waiver, we would be restricted until two years after the Spin-Off is consummated from entering into transactions that would result in an ownership shift in Perspecta of 30% or more (measured by vote or value) or divestitures of certain businesses that could impact the tax-free nature of the Spin-Off. Pursuant to the Tax Matters Agreement, we intend to agree to indemnify DXC for any tax liabilities resulting from a breach of such covenants or certain other actions. Though valid as between the parties, the Tax Matters Agreement will not be binding on the IRS.

Employee Matters Agreement

We intend to enter into an Employee Matters Agreement with DXC that will address employment, compensation and benefits matters, including treatment of equity incentive awards. In addition, the Employee Matters Agreement will set forth the general principles relating to employee matters, including with respect to the assignment of employees of employees to Perspecta, the assumption, workers' compensation, labor relations, and related matters. The Employee Matters Agreement will address the allocation and treatment of assets and liabilities arising out of employee compensation and benefits programs in which our employees participated prior to the Distribution.

Real Estate Matters Agreement

We entered into a Real Estate Matters Agreement with DXC that governs the respective rights and responsibilities between us and DXC following the Spin-Off with respect to real property used by us that is not owned by us or leased by us directly from a third party, including the allocation of space within shared facilities and the allocation of standalone facilities between us and DXC. Pursuant to the Real Estate Matters Agreement, we transferred ownership of certain real properties to DXC and assigned leases covering certain leased real properties to DXC. We also clarified which owned and leased real properties we retained. With regards to certain shared facilities, including in Plano, Texas, we will enter into sublease agreements with DXC. See "Business of Perspecta—Properties."

Intellectual Property Matters Agreement

Pursuant to the Separation and Distribution Agreement and the Intellectual Property Matters Agreement to be entered into between us and DXC, we will retain ownership of certain proprietary IP related to certain classified contracts and projects of the Perspecta business, and DXC will retain ownership of all other proprietary IP owned by DXC at the time of the Distribution and used by us. Pursuant to the Intellectual Property Matters Agreement, DXC will grant us a perpetual, royalty-free, non-assignable license to certain know-how owned by DXC that we use to run our business prior to the Spin-Off. In addition, DXC will grant us a perpetual, royalty-free, non-assignable license to certain software used in the conduct of the Perspecta business (including binaries, APIs, libraries, scripts, patches, configuration files, examples and documentation). Upon termination or expiration of the Intellectual Property Matters Agreement, we will only be entitled to access and use the then-current versions of the licensed products in our possession. During the first five years following the Distribution, the foregoing licenses granted to us will be restricted to use solely in connection with U.S. government customers on an exclusive basis and certain U.S. state and local government customers on a non-exclusive basis. In addition, any improvements we make to such IP or derivative works of such IP that we develop will be assigned to DXC and licensed back to us subject to the same limitations on use. DXC will also grant a limited, non-exclusive, non-assignable, royalty-free license to use certain trademarks in connection with Perspecta for six months to allow us to transition away from use of those that do incorporate "DXC," "Enterprise Services," "Electronic Data Systems" or "EDS." Any additional rights to use other DXC products, improvements or proprietary rights will be negotiated by the parties in good faith on commercially reasonable arms' length terms.

Pursuant to the Intellectual Property Matters Agreement, we will grant DXC a perpetual, royalty-free, transferrable, assignable license to know-how owned by us as of the Spin-Off. In addition, we will grant DXC a

perpetual, royalty-free, transferrable, assignable license to all IP owned by us pursuant to the Separation and Distribution Agreement as well as certain software (including binaries, APIs, libraries, scripts, patches, configuration files, examples and documentation) specified under the agreement. Further, we will grant DXC a perpetual, royalty-free, fully paid-up, non-assignable license to any IP acquired or developed by us within six months following the Spin-Off (other than IP rights acquired from Vencore or Keypoint or their respective subsidiaries). During the first five years following the Distribution, the foregoing licenses granted by us will be restricted to use solely in connection with private sector customers on an exclusive basis and certain U.S. state and local government customers on a non-exclusive basis.

In addition to the foregoing licenses, we will grant DXC a non-transferrable, non-assignable license for the five years following the Distribution to access, use, copy, make improvements and sublicense the IP we obtain from our acquisition of Vencore or Keypoint and their respective subsidiaries. The foregoing license will be exclusive with respect to DXC's private sector business and non-exclusive for all other fields. Such license will be royalty-free to the extent DXC does not commercially exploit the IP of Vencore or Keypoint or their respective subsidiaries, and will otherwise be subject to a commercially reasonable royalty, to be negotiated in good faith, for commercial exploitation. Further, we will agree to negotiate in good faith the terms and conditions of a license or services agreement relating to or permitting use by DXC of Vencore Labs (as acquired from Vencore Holding Corp.) and our existing security and digital protection service offerings, in each case on commercially reasonable arms' length terms in DXC's private sector field. Further, during the five years following the Distribution, DXC will have the first right to participate in the event Vencore Labs wishes to pursue R&D which has potential applicability in the DXC private sector field; Vencore Labs must notify DXC of such opportunities and DXC has the right to elect to enter a collaborative development and commercialization effort with Vencore Labs.

All licenses granted to us by DXC will not extend to any acquiring party of our business, and will be limited to the Perspecta entities that are subsidiaries prior to such acquisition. If either we or DXC divest any portion of our businesses or acquire a new business, the licenses granted under the Intellectual Property Matters Agreement may follow such divested business or extend to such newly acquired business, provided the licensed party adheres to all restrictions on the relevant license, notably the relevant licensed fields of each party.

DXC will indemnify Perspecta from all losses incurred by Perspecta as a direct result of any third-party claim that Perspecta's use of any improvements to the products licensed by DXC under the Intellectual Property Matters Agreement infringes or misappropriates any U.S. copyright, trademark or trade secret, except to the extent resulting from Perspecta's modification, adaptation, failure to update, or third-party components. Perspecta will indemnify DXC from all losses incurred by DXC as a direct result of any third-party claim relating to Perspecta's use of the products licensed by DXC, or arising from DXC's use of Perspecta's improvements to the licensed products, except to the extent resulting from DXC's modification, adaptation, failure to update, or third-party components.

Non-U.S. Agency Agreement

We intend to enter into a Non-U.S. Agency Agreement with DXC pursuant to which we would appoint, for a period of five years, DXC as our exclusive agent outside the U.S. for certain non-U.S. government customers subject to certain exceptions for U.S. government contracts in support of non-U.S. government customers or U.S. government sponsored or financed military sales. Under the Non-U.S. Agency Agreement, DXC will agree to refer to us certain opportunities outside the U.S. that DXC determines, in its sole discretion, would be within our core competency and better handled by us than by DXC or anyone else.

Other Arrangements

Prior to the Spin-Off, we have had various other arrangements with DXC, including arrangements whereby DXC provides IT, tax administration, treasury activities, technical accounting, benefits administration, procurement, legal and ethics and compliance program administration services to us.

As described in more detail in “Separation and Distribution Agreement” above, these arrangements, other than those contemplated pursuant to the Transition Services Agreement or other agreements that the parties expressly agree will remain, will generally be terminated in connection with the Spin-Off.

Side Letter Agreement

In connection with the Mergers, Perspecta, Veritas Capital Management, the Vencore Stockholder and the KeyPoint Stockholder entered into a Side Letter Agreement granting Veritas Capital Management and its affiliates certain registration rights, establishing a lock-up arrangement relating to the Stock Merger Consideration, establishing a standstill obligation of Veritas Capital Management, its controlled Affiliates and its and their respective representatives and granting certain director nomination rights to Veritas Capital Management (the “Side Letter Agreement”). The following is a summary of material provisions of the Side Letter Agreement. This summary is qualified in its entirety by reference to the full text of the Side Letter Agreement which is filed as an exhibit to the Registration Statement on Form 10 of which this Information Statement forms a part.

Registration Rights

The registration of shares of our common stock pursuant to the exercise of registration rights described below would enable the holders whose shares of our common stock are registered on the applicable registration statement to sell those shares pursuant to the registration statement after it becomes, and for so long as it is, effective. We will pay all reasonable fees and expenses incurred in the performance of or compliance with the Side Letter Agreement. Pursuant to the terms of the Side Letter Agreement, Veritas Capital Management and its affiliates, including the Vencore Stockholder and the KeyPoint Stockholder, may transfer shares of our common stock to one or more of its affiliates and may exercise registration rights on behalf of such transferees if such transferees become a party to the Side Letter Agreement.

The rights described below will commence immediately following the expiration of the lock-up period (described below). We are not required to effect more than one underwritten Shelf Takedown (as defined below) in any 90-day period or more than three underwritten Shelf Takedowns in any 365-day period. We will be entitled to require any holder of securities eligible for registration under the Side Letter Agreement (the “Registrable Securities”) to suspend the use of any prospectus for sales of Registrable Securities during a period that begins a specified number of days prior to the end of a fiscal quarter and ends on the day following the first public announcement of the results for such fiscal quarter. Additionally, if our Board of Directors determines in its good faith judgment that the registration or sale of Registrable Securities would reasonably be expected to materially adversely affect or materially interfere with any bona fide material financing of ours or any material transaction under consideration by us or would require us to disclose confidential information, the premature disclosure of which would materially adversely affect us, then we may delay a registration or sales of Registrable Securities for no more than 45 days in a 180-day period. We will not be obligated to effect any underwritten Shelf Takedown unless the reasonably anticipated gross proceeds from the sale of Registrable Securities in such underwritten Shelf Takedown are \$100 million.

Shelf Registration Rights. Under the terms of the Side Letter Agreement, on or prior to the Initial Date (defined below), we will file a registration statement for a shelf registration on Form S-1 covering the resale of all Registrable Securities on a delayed or continuous basis (the “Form S-1 Shelf”). In the event that we become eligible to use Form S-3 under the Securities Act after 12 calendar months following the Closing Date, we will use our commercially reasonable efforts to convert the Form S-1 Shelf to a shelf registration on Form S-3 (a “Form S-3 Shelf” and together with the Form S-1 Shelf, the “Shelf Registration Statement”). We will use our commercially reasonable efforts to keep the Shelf Registration Statement continuously effective until the date that all Registrable Securities covered by such Shelf Registration Statement are no longer Registrable Securities (the “Shelf Period”). However, beginning 18 months after the Closing Date, we are not required to maintain a Shelf Registration Statement once the fair market value of all Registrable Securities is less than the lesser of (1) \$100 million in the aggregate and (2) 1% of the outstanding shares of our common stock.

At any time during the Shelf Period, Veritas Capital Management and its affiliates may request to sell all or any portion of their Registrable Securities in an offering that is registered pursuant to the Shelf Registration Statement (each, a “Shelf Takedown”). Veritas Capital Management may request Perspecta to initiate up to five underwritten Shelf Takedowns and an unlimited number of Shelf Takedowns that are not underwritten Shelf Takedowns. All requests for Shelf Takedowns must be made by Veritas Capital Management giving written notice to Perspecta (a “Shelf Takedown Notice”).

We will not include in any Shelf Takedown any securities that are not Registrable Securities without the prior written consent of Veritas Capital Management. If any managing underwriter of any underwritten offering of Registrable Securities advises Perspecta in writing that in its opinion the number of Registrable Securities and, if permitted, other securities requested to be included in the underwritten offering exceeds the number that can be sold in that offering in an orderly manner at a price that is acceptable to Veritas Capital Management, then we are required to include in that offering only those securities that in the opinion of the managing underwriter can be so sold in an orderly manner at a price that is acceptable to Veritas Capital Management and in the following order of priority: (1) first, any Registrable Securities for which registration was requested; (2) second, any securities proposed to be registered by us; and (3) third, any other securities proposed to be included in such registration which, in the opinion of the underwriters, can be sold without any such adverse effect.

Piggyback Registration Rights. If we propose to register any of our common stock (other than in connection with registration on Form S-4 and Form S-8 or any successor or similar forms, or relating solely to the sale of debt or convertible debt instruments) either on our behalf or on the behalf of other security holders, the holders of the Registrable Securities are entitled to include their Registrable Securities in the registration. If any managing underwriter of any underwritten offering of Registrable Securities advises Perspecta that in its opinion the number of securities requested to be included in such registration exceeds the number that can be sold in that offering in an orderly manner at a price that is acceptable to Perspecta, then we are required to include in that offering only those securities that in the opinion of the managing underwriter can be so sold in an orderly manner at a price that is acceptable to Perspecta and in the following order of priority: (1) first, the shares of our common stock that we propose to sell, (2) second, the Registrable Securities requested to be included in such registration, and (3) third, any other shares of common stock requested to be included.

Term. The registration rights granted pursuant to the Side Letter Agreement will continue in effect until the date on which Registrable Securities comprise fewer than two percent of the outstanding shares of Perspecta common stock

Lock-Up

Pursuant to the terms of the Side Letter Agreement, Veritas Capital Management agrees that it will not, and will cause its controlled affiliates including the Vencore Stockholder and the KeyPoint Stockholder not to, for a period commencing on the Closing Date and ending on the earlier of (i) January 1, 2019, and (ii) the date that is nine months following the Closing Date (such date, the “Initial Date”):

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our common stock;

(such actions, a “Transfer”) whether any such transaction described above is to be settled by delivery of shares of our common stock or such other securities, in cash or otherwise.

Additionally, Veritas Capital Management agrees that it will not, and will cause its controlled affiliates including the Vencore Stockholder and the KeyPoint Stockholder not to, for a period commencing on the Initial

Date and ending on the earlier of (i) April 1, 2019 and (ii) the date that is twelve months following the Closing Date, effect any Transfer that would involve an aggregate amount (with all other Transfers) during such three-month period more than one-third of the total number of shares of Perspecta common stock issued as merger consideration to the Vencore Stockholder and the KeyPoint Stockholder pursuant to the terms of the Merger Agreement.

Standstill

Veritas Capital Management agrees that for a period commencing on the date of the Merger Agreement and ending on the earlier of (1) the first date that Veritas Capital Management and its controlled affiliates collectively no longer own more than 5% of the total outstanding shares of Perspecta common stock, (2) a material breach of the director nomination rights described below if such material breach has not been or is incapable of being cured within ten days after receipt of written notice and (3) upon certain change of control type events, none of Veritas Capital Management, its controlled affiliates or any of their respective representatives acting on its behalf will in any manner, directly or indirectly or alone or in concert with any other person (in each case except as approved by Perspecta or as contemplated by the Side Letter Agreement or any other transaction agreement):

- effect or consummate or seek, agree, offer or propose to effect or consummate, or announce any intention to effect or consummate or cause or participate in or in any way assist, facilitate or encourage any other person to effect or consummate or seek, agree, offer or propose to effect or consummate or participate in: (1) any acquisition of any economic interest in, or any direct or indirect right to direct the voting or disposition of, any securities of Perspecta, or rights or options to acquire any securities of Perspecta, or any assets, indebtedness or businesses of Perspecta or any of its affiliates; (2) any tender or exchange offer, merger or other business combination involving Perspecta or any of its affiliates or assets of Perspecta or its affiliates constituting a significant portion of the consolidated assets of Perspecta or any of its affiliates; or (3) any recapitalization, restructuring, liquidation, dissolution or other extraordinary transaction with respect to Perspecta or any of its affiliates;
- make, or in any way participate in, any solicitation of proxies to vote, or seek to advise or influence any person or entity with respect to the voting of, any voting securities of Perspecta;
- initiate, induce or attempt to induce, cooperate or collaborate with, any other person, entity or group in connection with, any stockholder proposal or withhold vote campaigns or tender offers for equity securities of Perspecta, any change of control of Perspecta or the convening of a meeting of Perspecta's stockholders;
- form, join or in any way participate in a group with respect to Perspecta in respect of any securities of Perspecta;
- except pursuant to the director nomination rights described below, otherwise act, alone or in concert with others, to seek representation on or to control or influence the management, board of directors or policies or to obtain representation on the board of directors of Perspecta;
- bring any action or otherwise act to contest the validity of this covenant;
- advise, assist, encourage, act as a financing source for or otherwise invest in any other person in connection with, or enter into any discussions, negotiations, arrangements or understandings with any other person with respect to, any of the activities set forth in this covenant;
- publicly disclose any intention, plan or arrangement, or take any action, inconsistent with any of the foregoing; or
- take any action with respect to Perspecta that would or would reasonably be expected to require Perspecta to make a public announcement regarding (1) such action, (2) any of the types of matters set forth in this covenant, (3) the matters set forth in the Merger Agreement, or (4) the possibility of Veritas Capital Management or any other person acquiring control of Perspecta, whether by means of a business combination or otherwise.

Director Nomination Right

Veritas Capital Management will have the right to nominate one individual, subject to review and approval of such individual's nomination by Perspecta's nominating/corporate governance committee and subject to such individual meeting Perspecta's director qualification standards included in its corporate governance guidelines, to serve on the board of directors of Perspecta. Additionally, at the effective time of the Mergers, Perspecta has agreed to appoint the chief executive officer of Perspecta to the Perspecta board of directors.

These foregoing provisions shall continue in effect until Veritas Capital Management, together with its affiliates, ceases to hold a number of shares equal to at least 10% of the outstanding common stock of Perspecta as of the Closing Date.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION

The following is a general discussion of the U.S. federal income tax consequences of the Spin-Off to holders of DXC common stock that receive Perspecta common stock in the Distribution. 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 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 DXC common stock that are U.S. holders, as defined below, and hold their shares of DXC 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 DXC 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 DXC 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 DXC common stock should consult their tax advisors as to the particular tax consequences to them as a result of the Distribution.

For purposes of this discussion, a U.S. holder is a beneficial owner of DXC common stock that is, for U.S. federal income tax purposes:

- a citizen or individual 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 DXC 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 DXC common stock should consult its tax advisor regarding the tax consequences of the Distribution.

Treatment of the Distribution

It is a condition to the Distribution that DXC receive a written opinion of Skadden Arps, in form and substance reasonably acceptable to DXC, to the effect that, on the basis of the facts and customary representations and assumptions set forth or referred to in such opinion, for U.S. federal income tax purposes, (i) the Spin-Off should qualify as a “reorganization” within the meaning of Section 368(a)(1)(D) of the Code, (ii) DXC should recognize no gain or loss under Section 361(c) of the Code upon the Distribution, and (iii) DXC’s stockholders should recognize no gain or loss under Section 355(a) of the Code upon the receipt of Perspecta common stock in the Distribution.

The opinion of Skadden Arps will be based on the law in effect as of the time of the Spin-Off and will rely upon certain assumptions, as well as statements, representations and undertakings made by officers of DXC and Perspecta. These assumptions, statements, representations and undertakings are expected to relate to, among other things, the parties' business reasons for engaging in the Spin-Off, the conduct of certain business activities by DXC and Perspecta, and the plans and intentions of DXC and Perspecta to continue conducting those business activities and not to materially modify their ownership or capital structure following the Spin-Off. If any of those statements, representations or assumptions is incorrect or untrue in any material respect or any of those undertakings is not complied with, or if the facts upon which the opinion is based are materially different from the actual facts that exist at the time of the Spin-Off, the conclusions reached in such opinion could be adversely affected.

DXC does not intend to seek a ruling from the IRS as to the U.S. federal income tax treatment of the Spin-Off. The legal authorities upon which the opinion of Skadden Arps will be based are subject to change or differing interpretations at any time, possibly with retroactive effect. The opinion of Skadden Arps will not be binding on courts or the IRS, and there can be no assurance that the IRS will not challenge the conclusions reached in the opinion or that a court would not sustain such a challenge.

Assuming that the Spin-Off qualifies under Sections 355, 361 and 368(a)(1)(D) of the Code, then, for U.S. federal income tax purposes:

- DXC will not recognize income, gain or loss on the Distribution;
- except with respect to the receipt of cash in lieu of fractional shares of Perspecta common stock, holders of DXC common stock will not recognize income, gain or loss on the receipt of Perspecta common stock in the Distribution;
- a stockholder's aggregate tax basis in its shares of DXC common stock and Perspecta 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 DXC common stock held by the stockholder immediately before the Distribution, allocated between such shares of DXC common stock and Perspecta common stock in proportion to their relative fair market values; and
- a stockholder's holding period in the Perspecta common stock received in the Distribution (including any fractional shares deemed received, as described below) will include the holding period of the DXC common stock with respect to which such Perspecta common stock was received.

Stockholders that have acquired different blocks of DXC 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 Perspecta common stock distributed with respect to such blocks of DXC common stock.

A stockholder that receives cash in lieu of a fractional share of Perspecta 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 stockholder's holding period for its Perspecta 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.

If the Distribution were determined not to qualify for tax-free treatment under Section 355 of the Code, DXC would generally be subject to tax as if it sold the Perspecta common stock in a taxable transaction. DXC would recognize taxable gain in an amount equal to the excess of (i) the total fair market value of the shares of Perspecta common stock distributed in the Distribution over (ii) DXC's aggregate tax basis in such shares of

Perspecta common stock. In addition, each stockholder who receives Perspecta 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 Perspecta common stock received by the stockholder in the Distribution. In general, such distribution would be taxable as a dividend to the extent of DXC'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 DXC common stock, with any remaining amount of the distribution taxed as capital gain. A stockholder would have a tax basis in its shares of Perspecta 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 DXC (but not to its 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 DXC or Perspecta, directly or indirectly (including through acquisitions of stock after the completion of the Spin-Off), 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 DXC or Perspecta 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 Mergers will be treated as part of such a plan, the Mergers should not cause Section 355(e) of the Code to apply to the Distribution. However, if the IRS were to determine that other direct or indirect acquisitions of stock of DXC or Perspecta, 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.

Information Reporting and Backup Withholding

Current Treasury regulations require certain U.S. holders of DXC common stock who are "significant distributees" (generally, a U.S. holder that owns at least 5% of the outstanding DXC common stock immediately before the Distribution) and who receive Perspecta 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. DXC will provide holders of DXC common stock with the information necessary to comply with this requirement. Stockholders should consult their tax advisors to determine whether they are significant distributees required to provide the foregoing statement.

In addition, payments of cash to a holder of DXC common stock in lieu of fractional shares of Perspecta common stock in the Distribution 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.

DIVIDEND POLICY

While we currently contemplate paying quarterly cash dividends following the Spin-Off, we have not yet determined the extent to which we will pay dividends on our common stock. The payment of any dividends in the future, and the timing and amount thereof, to our shareholders will fall within the sole discretion of our Board of Directors and will depend on many factors, such as our financial condition, results of operations and capital requirements, debt service obligations, restrictive covenants in the agreements governing our debt or debt we may incur in the future, industry practice, legal requirements, regulatory constraints and other factors that our Board of Directors deems relevant. Our ability to pay dividends will depend on our ongoing ability to generate cash from operations and on our access to the capital markets. We cannot guarantee that we will pay a dividend in the future or continue to pay any dividends if we commence paying dividends.

CAPITALIZATION

The following table sets forth our cash and capitalization as of December 31, 2017, on a historical basis and on pro forma basis to give effect to the Spin-Off and the Mergers, as if they occurred on December 31, 2017. The historical combined balance sheet data presented in the capitalization table as of December 31, 2017 for USPS is derived from the unaudited combined financial statements and for Vencore is derived from the audited combined financial statements, included in this Information Statement. The unaudited pro forma combined financial information was prepared using the purchase method of accounting, with USPS treated as the “acquirer” of Vencore for accounting purposes. As used in this Information Statement, all references to “Vencore” are to Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries on a combined basis. The effect of the Mergers presented below includes the impact of preliminary purchase accounting adjustments. The pro forma information presented below is derived from the “Unaudited Pro Forma Combined Financial Statements” included elsewhere in this Information Statement. In addition, you should review the following table in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations of USPS” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Vencore” and the financial statements and accompanying notes included elsewhere in this Information Statement.

(in millions)	USPS as of December 31, 2017	Effect of Spin- off	Spin-off Adjusted USPS as of December 31, 2017	Vencore as of December 31, 2017	Effect of Mergers	Pro Forma Combined
Cash	\$ —	\$ 16	\$ 16	\$ 95	\$ (16)	\$ 95
Short-term obligations:						
Current maturities of long-term debt . . .	\$ —	\$ 51	\$ 51	\$ 23	\$ 10	\$ 84
Current maturities of capitalized lease obligations	158	—	158	1	—	159
Total short-term debt and current obligations of long-term debt	158	51	209	24	10	243
Long-term obligations: ⁽¹⁾						
New USPS Term Loan due 2021	—	—	—	—	543	543
New USPS Term Loan due 2023	—	1,000	1,000	—	663	1,663
New Revolving Credit Facility	—	—	—	—	249	249
7.45% Senior Notes due 2029 ⁽²⁾	—	79	79	—	—	79
UBS 1 st and 2 nd Lien	—	—	—	769	(769)	—
Cortland 1 st Lien	—	—	—	202	(202)	—
Capitalized lease liabilities	301	—	301	2	—	303
Total long-term debt	301	1,079	1,380	973	484	2,837
Less: current maturities of long-term debt . .	(158)	(51)	(209)	(24)	(10)	(243)
Total long-term debt, net of current maturities	\$ 143	\$ 1,028	\$ 1,171	\$ 949	\$ 474	\$ 2,594
Stockholders’ equity:						
Parent company investment	\$2,843	\$(2,843)	\$ —	\$ —	\$ —	\$ —
Preferred stock	—	—	—	—	—	—
Common stock	—	—	—	—	—	—
Additional paid in capital	—	2,843	2,843	189	588	3,620
Accumulated deficit	—	(1,075)	(1,075)	(403)	373	(1,105)
Accumulated other comprehensive (loss) income	—	—	—	(83)	83	—
Total equity	2,843	(1,075)	1,768	(297)	1,044	2,515
Total capitalization	\$3,144	\$ 4	\$ 3,148	\$ 676	\$1,528	\$ 5,352

- (1) Does not reflect the impact of the net proceeds from the Term Loan B Facility we are currently considering. If obtained, the net proceeds of the Term Loan B Facility would be used to reduce amounts incurred under the New Credit Facilities, and therefore would not have a significant impact on total outstanding indebtedness or our capitalization.
- (2) Reflects \$66 million outstanding principal of the EDS Notes issued by Enterprise Services, a subsidiary of Perspecta following the Internal Reorganization, following the partial exchange of approximately \$234 million of the EDS Notes for the DXC Notes, and \$13 million of unamortized premiums resulting from the application of fair value accounting associated with the merger of HPES and CSC.

SELECTED HISTORICAL COMBINED FINANCIAL DATA FOR USPS

The following tables present USPS's selected historical combined financial and for the periods and as of the dates indicated.

The selected historical combined financial data for the years ended October 31, 2014, October 31, 2015 and October 31, 2016, for the five months ended March 31, 2017, and as of October 31, 2015, October 31, 2016 and March 31, 2017 was derived from USPS's audited combined financial statements and notes thereto included elsewhere in this Information Statement. The selected historical condensed combined financial data for the nine months ended October 31, 2016 and December 31, 2017, and as of December 31, 2017, was derived from USPS's unaudited interim condensed combined financial statements and notes thereto included elsewhere in this Information Statement. USPS's unaudited combined interim financial statements were prepared on a basis consistent with USPS's audited combined financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair statement of the financial information. Additionally, on April 1, 2017, CSC, HPE, Everett and Merger Sub, completed the strategic combination of CSC with HPES to form DXC (the "DXC Merger"). At the time of the DXC Merger, Everett was renamed DXC, and as a result of the DXC Merger, CSC became a direct wholly owned subsidiary of DXC. The transaction was determined to be a reverse merger and CSC was determined to be the accounting acquirer of DXC. Therefore, for accounting purposes DXC, and in turn USPS, was subject to purchase price allocation adjustments as of April 1, 2017. These adjustments are reflected in the post-DXC Merger period results for USPS, therefore, post- DXC Merger period results for USPS are not comparable to pre- DXC Merger results. Additionally, as described in more detail in Note 2 to the USPS unaudited interim condensed combined financial statements for the nine month period ended December 31, 2017, the amount of such purchase price allocation adjustments are subject to revision for up to one year from the acquisition date; such revisions may result in further changes to the fair values allocated to various assets and liabilities as of April 1, 2017, including, but not limited to, property and equipment and other assets as well as related depreciation and amortization expense (and corresponding changes to income before taxes, income tax benefit and net income) for the nine months ended December 31, 2017.

Selected historical financial data for USPS for the fiscal years ended October 31, 2013 and 2012 are not available for any combined balance sheet data or combined statement of operations data other than revenues because requisite stand-alone financial records for those periods for USPS were not maintained by the former parent companies of the enterprise services business, HPE (between November 1, 2015 and March 31, 2017) and The Hewlett-Packard Company (prior to November 1, 2015). Revenue information for USPS for those periods does not include information that would enable us to quantify the component of our revenues during the fiscal years ended October 31, 2013 and 2012 that consisted of certain consulting revenues as to which records were maintained outside of the enterprise services business. Due to the unavailability or lack of comparability of that information we have omitted USPS information prior to the periods presented.

USPS's historical results are not necessarily indicative of future operating results, and the results for any interim period are not necessarily indicative to the results that may be expected for a full fiscal year.

You should read this information in conjunction with the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations of USPS” and USPS’s combined financial statements and the related notes thereto included elsewhere in this Information Statement.

(in millions)	Predecessor					Successor
	Twelve Months Ended			Five Months Ended	Nine Months Ended	Nine Months Ended
	October 31 2014	October 31 2015	October 31 2016	March 31, 2017	October 31, 2016	December 31, 2017
					(unaudited)	(unaudited)
Combined Statement of Operations Data:						
Revenues	\$2,955	\$2,585	\$2,732	\$1,073	\$2,103	\$2,104
Operating costs and expenses:						
Costs of services (excludes depreciation and amortization and restructuring costs)	2,144	2,101	2,086	820	1,599	1,632
Selling, general and administrative (excludes depreciation and amortization and restructuring costs)	318	242	207	77	158	132
Depreciation and amortization	227	214	225	73	167	116
Restructuring costs	12	22	20	—	17	10
Separation costs	—	28	34	34	29	44
Interest expense	36	33	36	10	27	7
Interest income	(3)	(4)	(5)	—	(4)	—
Total costs and expenses	2,734	2,636	2,603	1,014	1,993	1,941
Income (loss) before taxes	221	(51)	129	59	110	163
Income tax expense (benefit)	83	(22)	49	23	42	(13)
Net income (loss)	\$ 138	\$ (29)	\$ 80	\$ 36	\$ 68	\$ 176

(in millions)	Predecessor				Successor
	As of				As of
	October 31 2014	October 31 2015	October 31 2016	March 31, 2017	December 31, 2017
					(unaudited)
Combined Balance Sheet Data:					
ASSETS					
Current assets:					
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —
Receivables, net of allowance for doubtful accounts	545	602	423	391	359
Prepaid expenses	90	149	138	98	110
Deferred contract costs	62	97	11	22	17
Total current assets	697	848	572	511	486
Intangible assets, net of accumulated amortization	124	73	24	27	862
Goodwill	—	—	—	—	2,037
Deferred income taxes, net	28	64	78	40	—
Property and equipment, net of accumulated depreciation	540	508	523	469	332
Other assets	27	19	37	26	29
Total assets	<u>\$1,416</u>	<u>\$1,512</u>	<u>\$1,234</u>	<u>\$1,073</u>	<u>\$3,746</u>
LIABILITIES and EQUITY					
Current liabilities:					
Current capital lease liability	\$ 111	\$ 127	\$ 145	\$ 139	\$ 158
Accounts payable	116	144	151	107	167
Accrued payroll and related costs	32	27	24	12	16
Accrued expenses and other current liabilities	284	216	211	132	194
Deferred revenue and advance contract payments	68	179	118	76	66
Total current liabilities	611	693	649	466	601
Non-current capital lease liability	224	223	215	155	143
Non-current deferred revenue	35	32	23	22	8
Non-current deferred tax liabilities	—	—	—	—	135
Other long-term liabilities	7	9	9	14	16
Total liabilities	877	957	896	657	903
Commitments and contingencies					
Equity:					
Parent company investment	539	555	338	416	2,843
Total equity	<u>539</u>	<u>555</u>	<u>338</u>	<u>416</u>	<u>2,843</u>
Total liabilities and equity	<u>\$1,416</u>	<u>\$1,512</u>	<u>\$1,234</u>	<u>\$1,073</u>	<u>\$3,746</u>

(in millions)	Predecessor					Successor
	Twelve Months Ended			Five Months Ended	Nine Months Ended	Nine Months Ended
	October 31, 2014	October 31, 2015	October 31, 2016	March 31, 2017	October 31, 2016	December 31, 2017
					(unaudited)	(unaudited)
Combined Statements of Cash Flows data:						
Cash flows provided by operating activities	\$ 487	\$100	\$ 495	\$ 52	\$ 410	\$ 347
Cash flows used in investing activities	\$ (30)	\$ (18)	\$ (21)	\$(10)	\$ (11)	\$ (17)
Cash flows used in financing activities	\$(457)	\$ (82)	\$(474)	\$(42)	\$(399)	\$(330)

(in millions)	Predecessor					Successor
	Twelve Months Ended			Five Months Ended	Nine Months Ended	Nine Months Ended
	October 31, 2014	October 31, 2015	October 31, 2016	March 31, 2017	October 31, 2016	December 31, 2017
Other Financial Data						
Adjusted EBITDA (1)	\$510	\$265	\$459	\$183	\$359	\$344

- (1) Adjusted EBITDA is a non-GAAP measure and is subject to limitations described above in the section “Non-GAAP Financial Measures.”

SELECTED HISTORICAL COMBINED FINANCIAL DATA FOR VENCORE

The following table sets forth Vencore's selected historical combined financial data for the periods and at the dates indicated. The selected historical combined financial data for the years ended December 31, 2015, December 31, 2016 and December 31, 2017 and as of December 31, 2016 and December 31, 2017 have been derived from Vencore's historical audited combined financial statements and notes thereto, included elsewhere in this Information Statement. The selected historical combined financial data for the year ended December 31, 2014 and as of December 31, 2015 are not included in this Information Statement. As used in this Information Statement, all references to "Vencore" are to Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries on a combined basis.

Vencore's historical results are not necessarily indicative of future operating results, and the results for any interim period are not necessarily indicative of the results that may be expected for a full fiscal year.

You should read this information in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations of Vencore" and Vencore's combined financial statements and notes thereto, in each case, included elsewhere in this Information Statement.

(in millions)	Years Ended December 31,				
	(Unaudited) 2013	2014	2015	2016	2017
Combined Statements of Operations:					
Revenue	\$810	\$1,149	\$1,399	\$1,405	\$1,376
Operating costs and expenses					
Cost of revenue (excluding depreciation and amortization)	662	978	1,162	1,159	1,149
General and administrative expenses	63	82	89	84	101
Depreciation and amortization	32	37	36	35	31
Loss (gain) on contingent consideration	—	13	(8)	—	—
Lease abandonment expense	—	22	—	—	—
Deferred contract costs	13	2	3	6	5
Impairment of intangibles (trade name)	8	56	—	—	—
Loss (gain) on pension plan	9	(3)	(1)	(6)	(9)
Total operating costs and expenses	787	1,187	1,281	1,278	1,277
Income (loss) from operations	23	(38)	118	127	99
Interest expense	57	68	75	77	81
Debt extinguishment costs	—	8	—	7	4
Other, net	—	—	(1)	(2)	—
Investment gain	—	—	—	—	(3)
(Loss) income before income taxes and equity in net losses of affiliate	(34)	(114)	44	45	17
Income tax (benefit) expense	(21)	—	21	25	(10)
(Loss) income before equity in net losses of affiliate	(13)	(114)	23	20	27
Equity in net losses of affiliate	—	—	—	—	1
Net (loss) income	<u>\$ (13)</u>	<u>\$ (114)</u>	<u>\$ 23</u>	<u>\$ 20</u>	<u>\$ 26</u>

(in millions)	As of December 31,				
	(unaudited) 2013	(unaudited) 2014	2015	2016	2017
Combined Balance Sheet Data (at end of period):					
Current assets					
Cash	\$ 64	\$ 43	\$ 76	\$ 66	\$ 95
Accounts receivable, net	85	204	172	166	180
Restricted cash	—	25	—	—	—
Prepaid and other current assets	9	17	14	19	13
Deferred costs	4	13	23	22	24
Total current assets	162	302	285	273	312
Property, equipment, and capitalized software, net ...	33	41	33	35	36
Purchased intangible assets, net	363	309	284	260	241
Goodwill	314	397	397	397	397
Other long-term assets	31	69	70	58	45
Total assets	\$ 903	\$ 1,118	\$ 1,069	\$ 1,023	\$ 1,031
Total current liabilities	\$ 112	\$ 225	\$ 183	\$ 194	\$ 222
Total liabilities	797	1,158	1,100	1,220	1,328
Total stockholder's equity (deficit)	106	(40)	(31)	(197)	(297)
Total liabilities and stockholder's equity	\$ 903	\$ 1,118	\$ 1,069	\$ 1,023	\$ 1,031

(in millions)	Year Ended December 31,			
	2014	2015	2016	2017
Combined Cash Flow Data:				
Net cash provided by operating activities	\$ 1	\$ 65	\$ 98	\$ 62
Net cash (used in) provided by investing activities	(186)	16	(15)	(8)
Net cash provided by (used in) financing activities	164	(48)	(93)	(25)
Net (decrease) increase in cash	\$ (21)	\$ 33	\$ (10)	\$ 29
Other Data:				
Capital expenditures	\$ (5)	\$ (16)	\$ (11)	\$ (9)

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS OF PERSPECTA

The following unaudited pro forma condensed combined financial statements of Perspecta include the unaudited pro forma condensed combined balance sheet as of December 31, 2017, and the unaudited pro forma condensed combined statements of operations for the twelve months ended October 31, 2016, the five months ended March 31, 2017 and the nine months ended December 31, 2017, in each case, after giving effect to the Spin-off and Mergers as described below.

USPS reports its results based on a fiscal year basis that ends March 31. Prior to being acquired by DXC on April 1, 2017, USPS reported its results on a fiscal year basis that ended October 31. Vencore reports its results based on a fiscal year basis that ends December 31. As a consequence of USPS and Vencore having different fiscal year end dates, all references to the twelve month pro forma condensed combined statement of operations include the results of operations of USPS for the twelve months ended October 31, 2016 and of Vencore for the twelve months ended December 31, 2016. All references to the five month period pro forma condensed combined statement of operations include the results of operations of USPS for the five months ended March 31, 2017 and of Vencore for the five months ended March 31, 2017. All references to the interim pro forma condensed combined statement of operations include the results of operations of USPS for the nine months ended December 31, 2017 and of Vencore for the nine months ended December 31, 2017, which was derived by subtracting the unaudited combined statement of operations data for the three months ended March 31, 2017 from the audited combined statement of operations data for the twelve months ended December 31, 2017.

The pro forma condensed combined balance sheet combines the historical combined and condensed balance sheet of USPS as of December 31, 2017, and the historical combined balance sheet of Vencore as of December 31, 2017, giving effect to the Spin-off, Mergers and other transactions contemplated by the Merger Agreement as if they had been consummated on December 31, 2017. The pro forma combined statements of operations each give effect to the Spin-Off and the Mergers as if they had been consummated on November 1, 2015, the first day of USPS's fiscal year ended October 31, 2016.

The historical combined financial statements of USPS have been "carved-out" from the combined and consolidated financial statements of DXC and its former parent, HPE, and reflect assumptions and allocations made by DXC and HPE for the year ended October 31, 2016 and for the five month period ended March 31, 2017 as these financial statements do not give effect to purchase price allocation adjustments associated with the strategic combination of CSC and HPES on April 1, 2017. These adjustments are reflected in the post-acquisition period results for USPS for the nine months ended December 31, 2017, therefore, pro forma adjustments give effect to the merger as if it were consummated on November 1, 2015.

USPS's historical combined financial statements include DXC assets and liabilities that were specifically identifiable or otherwise attributable to USPS, including subsidiaries and affiliates in which DXC had a controlling financial interest or was the primary beneficiary. USPS's historical combined financial statements include all revenues and costs directly attributable to USPS and an allocation of expenses related to certain DXC and HPE corporate functions. The results of operations in the USPS historical combined financial statements do not necessarily include all expenses that would have been incurred by USPS had it been a separate, stand-alone entity. Actual costs that may have been incurred if USPS 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 IT and infrastructure. Consequently, USPS's historical combined financial statements do not necessarily reflect what USPS's financial condition and results of operations would have been had USPS operated as a stand-alone company during the periods or as of the dates presented.

The pro forma condensed combined 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 condensed combined financial statements to give effect to pro forma events that are (i) directly attributable to the Spin-Off and the

Mergers, (ii) factually supportable, and (iii) with respect to the pro forma condensed combined statements of operations, expected to have a continuing impact on the consolidated results of operations of Perspecta.

The pro forma condensed combined financial statements were prepared using the acquisition method of accounting with USPS considered the accounting acquirer of Vencore. 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 Spin-Off and the Mergers have not been consummated. Accordingly, the pro forma purchase price allocation of Vencore'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 condensed combined financial statements are based upon currently available information and certain assumptions that management of USPS believes are factually supportable as of the date of this Information Statement. A final determination of the fair value of Vencore'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 Vencore that exist as of the closing date of the Mergers and, therefore, cannot be made prior to the completion of the Spin-Off and the Mergers. 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 condensed combined financial statements do not reflect the costs of integration activities or benefits that may result from realization of anticipated synergies post-close. USPS and Vencore expect to incur significant one-time financing and transaction costs, some of which will be capitalized, in connection with the Spin-Off and the Mergers, totaling approximately \$124 million, of which approximately \$20 million has been incurred to date. The financing fees and transaction-related costs are expected to be incurred through the closing of the Spin-Off and the Mergers which is expected to occur on or around March 31, 2018 and will primarily be funded through the New Term Facility and New Revolving Credit Facility. The transition and integration-related costs will be incurred primarily during the first two fiscal years following the consummation of the Spin-Off and the Mergers, 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 condensed combined financial statements do not reflect any adjustments related to the agreements which USPS and DXC will enter into following the Distribution, as the scope of services and other terms within these agreements are not yet finalized and are not expected to result in any material incremental recurring income or expenses to the combined company following the consummation of the Spin-Off and the Mergers.

The adjustments included in the pro forma condensed combined financial statements are based upon currently available information and assumptions that management of USPS believes to be reasonable. These adjustments and related assumptions are described in the accompanying notes presented on the following pages.

The pro forma condensed combined 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 Spin-Off and the Mergers been completed as of the dates set forth in the pro forma condensed combined 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 condensed combined financial statements should be read in conjunction with:

- the accompanying notes to the pro forma condensed combined financial statements;

- USPS's audited historical combined financial statements and related notes as of and for the twelve months ended October 31, 2016 and the five months ended March 31, 2017, which are included elsewhere in this Information Statement;
- USPS's unaudited historical combined and condensed financial statements and related notes as of and for the nine months ended December 31, 2017, which are included elsewhere in this Information Statement;
- Vencore's audited historical combined financial statements and related notes as of and for the year ended December 31, 2016 and 2017, which are included elsewhere in this Information Statement.

**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF DECEMBER 31, 2017**

(in millions)	Historical USPS as of December 31, 2017	Effect of Spin-off	Spin-off Adjusted USPS as of December 31, 2017	Historical Vencore as of December 31, 2017	Reclassifications	Effect of Mergers	Pro Forma Combined
ASSETS							
Current assets:							
Cash and cash equivalents	\$ —	\$ 16 8A	\$ 16	\$ 95	\$ —	\$ (16) 8A	\$ 95
Receivables, net	359	—	359	180	—	—	539
Prepaid and other current assets	—	—	—	13	(13) 7A	—	—
Prepaid expenses	110	—	110	—	9 7A	—	119
Deferred costs	—	—	—	24	(24) 7A	—	—
Deferred contract costs and other current assets	17	—	17	—	28 7A	—	45
Total current assets	486	16	502	312	—	(16)	798
Intangible assets, net	862	—	862	241	3 7A	932 8B	2,038
Goodwill	2,037	—	2,037	397	—	893 8C	3,327
Property and equipment, net	332	—	332	36	(3) 7A	—	365
Deferred income taxes, net	—	—	—	—	— 7A	10 8D	10
Other assets	29	—	29	45	— 7A	8 8E	82
Total Assets	\$3,746	\$ 16	\$ 3,762	\$1,031	\$ —	\$1,827	\$ 6,620
LIABILITIES AND EQUITY							
Current liabilities:							
Current capital lease liability	\$ 158	\$ —	\$ 158	\$ —	\$ 1 7A	\$ —	\$ 159
Short-term debt and current maturities of long-term debt	—	51 8E	51	23	—	10 8E	84
Accounts payable	167	—	167	—	48 7A	—	215
Accounts payable and accrued expenses	—	—	—	80	(80) 7A	—	—
Accrued payroll and related costs	16	—	16	82	—	(10) 8F	88
Accrued expenses and other current liabilities	194	12 8G	206	—	61 7A	(4) 8G	263
Other current liabilities	—	—	—	37	(37) 7A	—	—
Deferred revenue and advance contract payments	66	—	66	—	7 7A	—	73
Total current liabilities	601	63	664	222	—	(4)	882
Non-current capital lease liability	143	—	143	—	1 7A	—	144
Long-term debt, net of current maturities	—	1,028 8E	1,028	948	—	474 8E	2,450
Non-current deferred revenue	8	—	8	—	—	—	8
Accrued pension and other post- retirement benefits, net of current portion	—	—	—	104	(104) 7A	—	—
Non-current income tax liabilities and deferred tax liabilities	135	—	135	—	14 7A	320 8H	469
Other long-term liabilities	16	—	16	54	89 7A	(7) 8I	152
Total Liabilities	903	1,091	1,994	1,328	—	783	4,105
Commitments and Contingencies							
Stockholders' equity:							
Parent company investment	2,843	(2,843) 8J	—	—	—	—	—
Preferred stock	—	—	—	—	—	—	—
Common stock	—	—	—	—	—	—	—
Additional paid-in-capital	—	2,843 8J	2,843	189	—	588 8J	3,620
Accumulated deficit	—	(1,075) 8J	(1,075)	(403)	—	373 8J	(1,105)
Accumulated other comprehensive income (loss)	—	—	—	(83)	—	83 8J	—
Total Stockholders' equity	2,843	(1,075)	1,768	(297)	—	1,044	2,515
Total Liabilities and Equity	\$3,746	\$ 16	\$ 3,762	\$1,031	\$ —	\$1,827	\$ 6,620

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2017**

(in millions, except per share amounts)	Historical USPS for the Nine Months Ended December 31, 2017	Effect of Spin-off	Spin-off Adjusted USPS for the Nine Months Ended December 31, 2017	Historical Vencore for the Nine Months Ended December 31, 2017	Reclassifications	Effect of Mergers	Pro Forma Combined
Revenues	\$2,104	\$ —	\$ 2,104	\$1,041	\$ —	\$ —	\$ 3,145
Costs and expenses:							
Costs of services	1,632	—	1,632	866	(7)	7B 27 9A	2,518
Selling, general and administrative	132	—	132	79	—	(13) 9B	198
Depreciation and amortization	116	—	116	23	—	54 9C	193
Restructuring costs	10	—	10	—	4	7B	14
Separation costs	44	(13) 9D	31	—	—	—	31
Interest expense	7	32 9E	39	62	—	(17) 9E	84
(Gain) loss on pension plan	—	—	—	(7)	7	7B	—
Debt extinguishment cost ...	—	—	—	4	—	—	4
Deferred contract costs	—	—	—	4	(4)	7B	—
Other expense (income), net	—	—	—	—	1	7B	1
Total costs and expenses	1,941	19	1,960	1,031	1	51	3,043
Income (loss) before taxes	163	(19)	144	10	(1)	(51)	102
Income tax expense (benefit)	(13)	(7) 9F	(20)	(13)	—	(16) 9F	(49)
Equity in net loss of affiliate	—	—	—	1	(1)	7B	—
Net income (loss)	\$ 176	\$ (12)	\$ 164	\$ 22	\$ —	\$ (35)	\$ 151
Earnings per common share:							
Basic			\$ 1.14				\$ 0.91
Diluted			\$ 1.14				\$ 0.91
Weighted-average common shares:							
Basic		143.28 9G	143.28			23.39 9G	166.67
Diluted		143.28 9G	143.28			23.39 9G	166.67

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE FIVE MONTHS ENDED MARCH 31, 2017**

(in millions, except per share amounts)	Historical USPS for the Five Months Ended March 31, 2017	USPS Purchase Accounting Adjustments	Effect of Spin-off	Spin-off Adjusted USPS for the Five Months Ended March 31, 2017	Historical Vencore for the Five Months Ended March 31, 2017	Reclassifications	Effect of Mergers	Pro Forma Combined
Revenues	\$1,073	\$ —	\$ —	\$ 1,073	\$562	\$ —	\$ —	\$ 1,635
Costs and expenses:								
Costs of services ..	820	—	—	820	471	(5)	7B 7 9A	1,293
Selling, general and administrative ..	77	—	—	77	36	—	1 9B	114
Depreciation and amortization	73	(9)	2A —	64	14	—	29 9C	107
Restructuring costs	—	—	—	—	—	2	7B —	2
Separation costs ..	34	—	—	34	—	—	—	34
Interest expense ...	10	(7)	2B 18 9E	21	30	—	(3) 9E	48
(Gain) loss on pension plan ...	—	—	—	—	(5)	5	7B —	—
Deferred contract costs	—	—	—	—	2	(2)	7B —	—
Investment gain ...	—	—	—	—	(3)	—	—	(3)
Total costs and expenses	1,014	(16)	18	1,016	545	—	34	1,595
Income (loss) before taxes	59	16	(18)	57	17	—	(34)	40
Income tax expense (benefit)	23	6	9F (7) 9F	22	11	—	(14) 9F	19
Net income (loss) ...	\$ 36	\$ 10	\$ (11)	\$ 35	\$ 6	\$ —	\$ (20)	\$ 21
Earnings per common share:								
Basic				\$ 0.24				\$ 0.13
Diluted				\$ 0.24				\$ 0.13
Weighted-average common shares:								
Basic			143.28 9G	143.28			23.39 9G	166.67
Diluted			143.28 9G	143.28			23.39 9G	166.67

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED OCTOBER 31, 2016**

(in millions, except per share amounts)	Historical USPS for the Twelve Months Ended October 31, 2016	USPS Purchase Accounting Adjustments	Effect of Spin-off	Spin-Off Adjusted USPS for the Twelve Months Ended October 31, 2016	Historical Vencore for the Twelve Months Ended December 31, 2016	Reclassifications	Transaction Adjustments	Pro Forma Combined		
Revenues	\$2,732	\$ —	\$ —	\$ 2,732	\$1,405	\$ —	\$ —	\$ 4,137		
Costs and expenses:										
Costs of services . . .	2,086	—	—	2,086	1,159	(6)	7B	2	9A	3,241
Selling, general and administrative . . .	207	—	—	207	84	—	(5)	9B	286	
Depreciation and amortization	225	(22)	2A	203	35	—	67	9C	305	
Restructuring costs	20	—	—	20	—	6	7B	—	26	
Separation costs . . .	34	—	—	34	—	—	—	—	34	
Interest expense . . .	36	(16)	2B	45	9E	65	77	(14)	9E	128
Interest income . . .	(5)	—	—	(5)	—	—	—	—	(5)	
(Gain) loss on pension plan	—	—	—	—	(6)	6	7B	—	—	
Debt extinguishment costs	—	—	—	—	7	—	—	—	7	
Deferred contract costs	—	—	—	—	6	(6)	7B	—	—	
Other income, net	—	—	—	—	(2)	—	—	—	(2)	
Total costs and expenses	2,603	(38)	45	2,610	1,360	—	50	4,020		
Income (loss) before taxes	129	38	(45)	122	45	—	(50)	117		
Income tax expense (benefit)	49	15	9F	(18)	9F	46	25	(20)	9F	51
Net income (loss)	\$ 80	\$ 23	\$ (27)	\$ 76	\$ 20	\$ —	\$ (30)	\$ 66		
Earnings per common share:										
Basic				\$ 0.53				\$ 0.40		
Diluted				\$ 0.53				\$ 0.40		
Weighted-average common shares:										
Basic			143.28	9G	143.28		23.39	9G	166.67	
Diluted			143.28	9G	143.28		23.39	9G	166.67	

Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

Note 1: Basis of Presentation

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 USPS based upon the historical financial statements of each of USPS and Vencore, after giving effect to the Spin-Off and the Mergers and are intended to reflect the impact of the Spin-Off and the Mergers on USPS's combined financial statements. The historical financial statements of USPS and Vencore have been adjusted in the accompanying pro forma financial statements to give pro forma effect to events that are (i) directly attributable to the Spin-Off and the Mergers, (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 Perspecta if the Spin-Off and the Mergers 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 Mergers. In addition, throughout the periods presented in the pro forma financial statements, the operations of USPS were conducted and accounted for as part of DXC (and USPS's former parent, HPE) using accounting conventions applicable to DXC (and USPS's former parent, HPE) which may differ in the future. The audited historical combined financial statements and unaudited historical combined and condensed financial statements of USPS have been derived from DXC's (and USPS's former parent, HPE's) 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 DXC's management believes are reasonable. The historical financial statements of USPS do not necessarily represent the financial position or results of operations of USPS had it been operated as a stand-alone company during the periods or at the dates presented.

Note 2: USPS Purchase Accounting Adjustments

On April 1, 2017, Computer Sciences Corporation ("CSC"), HPE, Everett SpinCo, Inc. ("Everett"), and New Everett Merger Sub Inc., a wholly owned subsidiary of Everett ("Merger Sub"), completed the strategic combination of CSC with the enterprise services business of HPE to form DXC. The combination was accomplished through a series of transactions that included the transfer by HPE of its enterprise services business to Everett, the spin-off by HPE of Everett on March 31, 2017, and the merger of Merger Sub with and into CSC on April 1, 2017 (the "Everett Merger"). At the time of the Everett Merger, Everett was renamed DXC, and as a result of the Everett Merger, CSC became a direct wholly owned subsidiary of DXC. The transaction involving Everett and CSC is a reverse merger acquisition, in which DXC is considered the legal acquirer of the business and CSC is considered the accounting acquirer. Therefore for accounting purposes DXC, and in turn USPS, were subject to purchase price allocation adjustments as of April 1, 2017 for DXC's fiscal year 2018 reporting. For pro forma purposes, the recurring adjustments have been included in the twelve-month and five-month period pro forma statements of operations, which represent the pro forma fiscal periods prior to the CSC-DXC merger.

The pro forma statements of operations reflect the following adjustments related to the purchase accounting:

- (A) Depreciation and amortization was adjusted to account for the preliminary estimates of fair values of USPS property and equipment and identifiable intangible assets.
- (B) Interest expense was adjusted to account for the re-setting of implicit interest rates in calculating the interest expense portion of acquired capital lease assets and liabilities.

Note 3: 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 U.S. GAAP. For the purposes of preparing the pro forma financial statements, USPS management has conducted a preliminary analysis of the adjustments required to conform Vencore's historical financial statements to reflect the current USPS accounting policies. USPS management's assessment is ongoing and, at the time of preparing the pro forma financial statements, other than the pension accounting adjustment (further discussed below) and financial statement reclassifications made herein, management is not aware of any other material policy differences or necessary financial statement reclassifications. Upon consummation of the Spin-Off and the Mergers, USPS management will conduct an in-depth review of Vencore'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 Vencore's results of operations, assets or liabilities to conform to USPS's accounting policies and classifications. As a result of that review, USPS 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, USPS identified the need to conform the accounting policy of Vencore related to pension accounting. USPS 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 Vencore 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, Vencore amortizes actuarial gains and losses using the corridor approach. See Note 9 for additional information on how this accounting policy difference has been reflected in the pro forma statement of operations.

Note 4: Historical Vencore

Because of the differences in the USPS and Vencore fiscal year ends, the following table presents the historical Vencore combined statement of operations for the five months ended March 31, 2017, which was derived by adding the unaudited combined statement of operations data for the two months ended December 31, 2016 to the unaudited combined statement of operations data for the three months ended March 31, 2017. Further, the below financial statements reflect the combined operating data for Vencore.

(in millions)	Unaudited Two Months Ended December 31, 2016	Unaudited Three Months Ended March 31, 2017	Unaudited Five Months Ended March 31, 2017
Revenues	\$ 227	\$ 335	\$ 562
Costs and expenses:			
Cost of revenues	188	283	471
General and administrative	14	22	36
Depreciation and amortization	6	8	14
Deferred contract costs	1	1	2
Gain on pension plan	(3)	(2)	(5)
Total costs and expenses	<u>206</u>	<u>312</u>	<u>518</u>
Income from operations	21	23	44
Interest expense	11	19	30
Other, net	—	—	—
Investment gain	<u>—</u>	<u>(3)</u>	<u>(3)</u>
Income before taxes	10	7	17
Income tax expense	<u>8</u>	<u>3</u>	<u>11</u>
Net income	<u>\$ 2</u>	<u>\$ 4</u>	<u>\$ 6</u>

Additionally, the following table presents the historical Vencore combined statement of operations for the nine months ended December 31, 2017, which was derived by subtracting the unaudited combined statement of

operations data for the three months ended March 31, 2017 from the audited combined statement of operations data for the twelve months ended December 31, 2017.

(in millions)	Twelve Months Ended December 31, 2017	Unaudited Three Months Ended March 31, 2017	Unaudited Nine Months Ended December 31, 2017
Revenues	\$ 1,376	\$ 335	\$ 1,041
Costs and expenses:			
Cost of revenues	1,149	283	866
General and administrative	101	22	79
Depreciation and amortization	31	8	23
Deferred contract costs	5	1	4
Gain on pension plan	(9)	(2)	(7)
Total costs and expenses	<u>1,277</u>	<u>312</u>	<u>965</u>
Income from operations	99	23	76
Interest expense	81	19	62
Debt extinguishment costs	4	—	4
Other, net	—	—	—
Investment gain	(3)	(3)	—
Income before taxes	17	7	10
Income tax expense (benefit)	(10)	3	(13)
Equity in net losses of affiliate	1	—	1
Net income	<u>\$ 26</u>	<u>\$ 4</u>	<u>\$ 22</u>

Note 5: Purchase Price Allocation

The transaction between USPS and Vencore is a merger with USPS representing the accounting acquirer. 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. Accordingly, the fair value of the purchase consideration transferred was measured based on the fair value of 14.03% of shares of the combined business, \$400 million cash transferred by USPS to the owners of Vencore, The SI Organization Holdings LLC and KGS Holding LLC. Additionally, the approximately \$1 billion of cash to be paid to extinguish certain existing Vencore indebtedness was included in the consideration transferred. 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 \$2.2 billion. This amount was derived in accordance with the Merger Agreement, as described further below.

The following table represents the preliminary estimate of the purchase price to be paid in the Mergers, excluding an estimate for any true-up adjustments pursuant to the Merger Agreement (in millions):

Preliminary fair value of equity purchase consideration received by Vencore stockholders (i)	\$ 777
Preliminary fair value of cash purchase consideration received by Vencore stockholders (ii)	400
Preliminary fair value of cash consideration paid by USPS to extinguish certain existing Vencore indebtedness (iii)	<u>1,005</u>
Consideration to be transferred	<u>\$2,182</u>

- (i) Represents the preliminary estimated fair value of consideration received by Vencore stockholders to give them 14.03% ownership in the combined company. The fair value of the combined company was derived utilizing the market approach and income approach. Significant assumptions include (i) the discount rate, projected cash flow, and timing and magnitude of the expected synergies for the income approach, and (ii) selected multiples and forward earnings of the combined company for the market approach.
- (ii) Represents the cash distribution payment made to Vencore stockholders in accordance with the Merger Agreement.
- (iii) Represents cash paid to extinguish certain existing Vencore indebtedness concurrently with the Spin-Off and the Mergers.

The actual value of the consideration to be received by Vencore stockholders will depend on the value of shares of the combined company at the closing date of the Mergers, and therefore the actual purchase price will fluctuate with the fair value of the combined company until the Mergers are 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 the combined company's share value would change the purchase price by approximately \$39 million, with a corresponding change to goodwill.

The preliminary estimated purchase price is allocated as follows (in millions):

Total current assets	\$ 290
Intangible assets (i)	1,176
Other assets	82
Total assets acquired	\$1,548
Total current liabilities (ii)	\$ 185
Long-term debt, net of current maturities (iii)	—
Deferred tax liabilities (iv)	334
Other liabilities (v)	137
Total liabilities assumed	\$ 656
Net identifiable assets acquired	892
Goodwill	1,290
Total consideration to be transferred	<u>\$2,182</u>

- (i) The identifiable intangible asset fair value estimates are based on a preliminary valuation and may change. The identifiable intangible assets associated with the Mergers consist of program assets and developed technology with an estimated fair value of \$1.2 billion. The acquired program assets represent existing programs and contracts of the acquirees (Vencore and Keypoint) including various agencies of the U.S. Government. The programs generate future cash flows as the acquirees perform on the contracted programs and win future recompetes under the same program vehicles. The recompute win assumption was accounted for based on a probability of renewal factor. 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 Mergers. See Note 8 for further details on the intangible assets fair value adjustment.
- (ii) Includes the elimination of approximately \$10 million of liability classified class B/B-1 membership interests that will be settled as part of the merger consideration transferred. Also includes the repayment of the current portion of certain Vencore indebtedness existing as of December 31, 2017. See Note 6 for further details about the financing adjustments.
- (iii) This amount reflects the repayment of certain Vencore indebtedness existing as of December 31, 2017. See Note 6 for further details on the financing adjustments.
- (iv) This balance includes the deferred tax liability resulting from the fair value adjustments for the identifiable intangible assets. 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 statutory tax rates during the period of approximately 34%. The tax rate was based upon the jurisdictions in which the combined company expects to operate. The goodwill recognized in the Mergers 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 Mergers.

- (v) Other liabilities includes an adjustment to eliminate \$7 million of deferred rent on Vencore's balance sheet that is not recognized for purchase accounting.

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 determined to be materially different as more detailed information becomes available after the consummation of the Mergers. Any change in the above assumptions would result in a corresponding change in goodwill.

See Note 8 for additional information on how the adjustments described above have been reflected in the pro forma balance sheet.

Note 6: Financing Adjustments

On or about the closing dates of the Spin-off and Mergers, USPS expects to obtain total financing of \$2,235 million under new senior secured term loan credit facilities, the "New Term Facility", net of \$29 million of estimated debt issuance costs, as well as a senior secured revolving credit facility, the "New Revolving Credit Facility" in an aggregate principal amount of \$600 million, with \$249 million assumed to be drawn, net of \$8 million of estimated issuance costs, together, the "New Credit Facilities". Perspecta may supplement the New Credit Facilities with the Term B Loan Facility, which would reduce drawn amounts on the New Revolving Credit Facility and reduce the New Term Facility, and therefore would not have a significant impact to the Unaudited Pro Forma Condensed Combined Financial Statements of Perspecta. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of USPS—Liquidity and Capital Resources" for more information. Additionally, on or about the closing date of the Mergers, USPS expects to repay certain outstanding indebtedness of Vencore with combined balances of approximately \$974 million as of December 31, 2017, funded from a portion of the proceeds of the New Credit Facilities. Excluding the Term Loan B Facility, the New Credit Facilities are expected to bear interest at an average rate of approximately 4.2% with maturity dates between three and five 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.

Additionally, following the Internal Reorganization, a subsidiary of Perspecta will retain approximately \$66 million principal of EDS Notes that were not exchanged for DXC Notes pursuant to DXC's offer to exchange any and all of the outstanding EDS Notes for newly issued DXC Notes (the "EDS Exchange Offer"), which was made pursuant to the terms and conditions set forth in DXC's prospectus, dated as of January 8, 2018. In connection with the Separation and Distribution Agreement and Merger Agreement, the agreed-upon Perspecta Payment will be reduced by the amount of the EDS Notes assumed.

The following table presents the assumed debt as a result of the Mergers and other transactions (in millions):

Effects of the Spin-off:

The New Revolving Credit Facility (i)	\$ —
The New Term Facility, current (ii)	51
The New Term Facility, long-term (ii)	949
EDS Notes Assumed (iii)	79
Total pro forma Spin-off adjustments to debt	<u>\$1,079</u>

Effects of the Mergers:

The New Revolving Credit Facility (i)	\$ 249
The New Term Facility, current (ii)	33
The New Term Facility, long-term (ii)	1,173
Repayment of existing Vencore indebtedness (iv)	<u>(974)</u>
Total pro forma Mergers adjustments to debt	<u>\$ 481</u>

- (i) Approximately \$249 million of the \$600 million New Revolving Credit Facility is expected to be drawn upon at the closing of the Mergers, and \$8 million of estimated debt issuance costs related to the New Revolving Credit facility were capitalized in Other Assets, which represents the approximate amount of costs that market participants would incur to obtain similar financing.
- (ii) A portion of the New Term Facility is expected to require periodic principal repayments, depending upon tenure, and for pro forma purposes it is assumed to have quarterly principal payments totaling \$84 million annually; accordingly, this amount has been presented as current in the pro forma balance sheet. The long-term portion of the New Term Facility is presented net of \$29 million of estimated debt issuance costs, which represents the approximate amount of costs that market participants would incur to obtain similar financing.
- (iii) Represents EDS Notes expected to be held by Enterprise Services, a subsidiary of Perspecta following the Internal Reorganization and \$13 million of unamortized premiums resulting from the application of fair value accounting associated with the merger of HPES and CSC.
- (iv) On or about the closing date of the Mergers, USPS expects to repay certain historical Vencore outstanding indebtedness of approximately \$974 million, inclusive of \$23 million of current debt and \$3 million of accrued interest. The \$974 million balance sheet removal is net of approximately \$22 million of capitalized finance costs, and therefore total cash to be paid to extinguish debt principal is estimated to be \$996 million. Fees incurred to repay the indebtedness are estimated to be approximately \$9 million, and are included as additional consideration transferred in the purchase price calculated in Note 5.

The interim pro forma statement of operations, five month period pro forma statement of operations and twelve month pro forma statement of operations reflect Spin-off adjustments to Interest expense of \$29 million, \$16 million, and \$41 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 Spin-off. The interim pro forma statement of operations, five month period pro forma statement of operations, and twelve month pro forma statement of operations also reflect Spin-off adjustments to interest expense of \$3 million, \$2 million, and \$4 million related to \$79 million (comprising \$66 million principal and \$13 million of unamortized premiums) of EDS Notes expected to be outstanding at Enterprise Services, a subsidiary of Perspecta following the Internal Reorganization. The combined impact of all spin-off adjustments for interest expense for the interim, five month, and twelve month pro forma statements of operations was \$32 million, \$18 million, and \$45 million, respectively.

The interim pro forma statement of operations, five month period pro forma statement of operations and twelve month pro forma statement of operations reflect Merger adjustments to Interest expense of \$45 million, \$26 million, and \$63 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 Mergers. The interim pro forma statement of operations, five month period pro forma statement of operations and twelve month pro forma statement of operations reflect Mergers adjustments to Interest expense of \$(62) million, \$(29) million, and \$(77) million, respectively, which represent net of the removal of historical interest expense incurred by Vencore on its indebtedness to be repaid. The Spin-off and Mergers adjustments were calculated as if the new debt were entered into and the historical Vencore debt were repaid on November 1, 2015, the beginning of the earliest period presented.

The adjustment to record interest expense for the nine months ended December 31, 2017, the five months ended March 31, 2017, and twelve months ended October 31, 2016 is estimated based on the expected terms of the New Term Facility and New Revolving Credit Facility discussed above. For each 0.125% change in estimated interest rates on the variable rate debt, total pro forma interest expense would increase or decrease by approximately \$2 million for the nine months ended December 31, 2017, approximately \$1 million for the five months ended March 31, 2017, and approximately \$3 million for the twelve months ended October 31, 2016, respectively.

See Note 8 and Note 9 for additional information on how the adjustments described above have been reflected in the pro forma financial statements.

Note 7: Reclassifications

Certain reclassifications have been made relative to the historical financial statements of Vencore to conform to the financial statement presentation of USPS.

(A) Vencore Balance Sheet line items were reclassified as follows:

- (i) Prepaid expenses out of “Prepaid and other current assets” and into “Prepaid expenses”;
- (ii) Deferred costs out “Deferred costs” and into “Deferred contract costs and other current assets”;
- (iii) Other current assets out of “Prepaid and other current assets” and into “Other current assets”;
- (iv) Software out of “Property and equipment, net” and into “Intangible assets, net”;
- (v) Deferred income tax assets out of “Other assets” and into “Deferred income taxes, net”;
- (vi) Accrued expenses out of “Accounts payable and accrued expenses” and into “Accrued expenses and other current liabilities”;
- (vii) Deferred revenue out of “Other current liabilities” and into “Deferred revenue and advance contract payments”;
- (viii) Non-current deferred tax and other tax liabilities out of “Other long-term liabilities” and into “Non-current income tax liabilities and deferred tax liabilities”;
- (ix) “Accrued Pension and other postretirement liabilities, net of current portion” was moved into “Other long-term liabilities”;
- (x) Accounts payable out of “Accounts payable and accrued expenses” and into “Accounts payable”;
- (xi) Other current liabilities out of “Other current liabilities” and into “Accrued expenses and other current liabilities”;
- (xii) Current capital lease liability out of “Other current liabilities” and into “Current capital lease liabilities”; and
- (xiii) Non-current capital lease liability out of “Other long-term liabilities” and into “Non-current capital lease liabilities.”

(B) Vencore Statement of Operations line items were reclassified as follows:

- (i) Deferred restructuring costs out of “Deferred contract costs” and into “Restructuring costs”;
- (ii) Pension related expense out of “(Gain) loss on pension plan” and into “Costs of Services”; and
- (iii) Equity in net losses of affiliate to “Other expense (income), net.”

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>Effect of Spin-off December 31, 2017</u>	<u>Effect of Mergers December 31, 2017</u>
Estimated transaction costs (i)	\$ —	\$ (58)
New financing proceeds (ii)	1,000	1,447
Vencore debt repayment (iii)	—	(1,005)
Perspecta Payment (iv)	(984)	—
Cash consideration transferred (v)	—	(400)
Total pro forma adjustment to Cash and cash equivalents	<u>\$ 16</u>	<u>\$ (16)</u>

- (i) Represents estimated financing and transaction related costs to be incurred by Vencore \$22 million and USPS \$36 million, respectively, related to the Mergers.
- (ii) Represents the cash borrowed through the New Term Facility of \$2.2 billion and borrowed through the New Revolving Credit Facility of \$249 million, net of debt issuance costs of \$37 million. See Note 6 for further details of the financing adjustments.
- (iii) Represents repayment of certain historical Vencore outstanding indebtedness of approximately \$996 million, as well as estimated fees of approximately \$9 million. See Note 6 for further details of the financing adjustments.
- (iv) Represents distribution payment of \$984 million from USPS to DXC shareholders prior to the Distribution, which reflects the transaction consideration of \$1,050 million less an expected \$66 million in principal amount of the EDS Notes that will remain outstanding at a subsidiary of Perspecta following the Internal Reorganization.
- (v) Represents purchase consideration of \$400 million paid by USPS to the sellers of Vencore. See Note 5 for further details about consideration transferred and purchase price allocation related to the Mergers.

(B) Intangible assets, net was adjusted for the Mergers as follows:

	<u>Effect of Mergers December 31, 2017</u>
Elimination of Vencore historical intangible assets	\$ (241)
Preliminary fair value of acquisition-related intangible assets (i)	1,173
Total pro forma adjustment to Intangible assets, net	<u>\$ 932</u>

- (i) Of the total net assets acquired, approximately \$1.2 billion is estimated to be the preliminary fair value of identified intangible assets, which consist of program assets and developed technology with preliminary estimated useful lives of 14 and 5 years, respectively. See Note 5 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 program assets 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, 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.

- (C) Goodwill associated with the Mergers was adjusted as more fully described in Note 5. The adjustment is primarily due to the synergies expected to be achieved by combining the businesses of USPS and Vencore, expected future contracts, as well as the acquired workforce. The cost-saving opportunities are expected to include improved operating efficiencies and asset optimization.
- (D) Reflects an adjustment to Deferred income taxes to represent the deferred tax asset impact of the estimated transaction costs to be incurred for Vencore and USPS, based on an estimated statutory rate for fiscal year 2018 of 34%.
- (E) Short-term debt and current maturities of long-term debt and long-term debt, net of current maturities, were adjusted as described in Note 6.
- (F) Accrued payroll and related costs were adjusted to remove the Vencore liability classified B/B-1 participation interests, as these liabilities will be extinguished in connection with the Mergers.
- (G) Accrued expenses and other current liabilities were adjusted as follows:

	<u>Effect of Spin-off</u>	<u>Effect of Mergers December 31, 2017</u>
Vencore debt repayment (i)	\$ —	\$(3)
Deferred rent elimination (ii)	—	(1)
EDS Notes consent fees (iii)	<u>12</u>	<u>—</u>
Total pro forma adjustment to Accrued expenses and other current liabilities	<u>\$ 12</u>	<u>\$(4)</u>

- (i) Represents the removal of accrued interest to be paid in accordance with the repayment of certain outstanding Vencore indebtedness. See Note 6 for further details on the financing adjustments recorded.
 - (ii) Represents the elimination of deferred rent through the purchase price allocation discussed further in Note 5.
 - (iii) Represents a payable from USPS to DXC for the bondholder consent fees paid by DXC in connection with the consent solicitation relating to the EDS Notes, and made in connection with the EDS Exchange Offer, a transaction considered directly attributable to the Spin-Off and Mergers.
- (H) Reflects an adjustment to deferred tax liabilities based on estimated statutory tax rate for fiscal year 2018 of 34%, multiplied by the preliminary fair value adjustments to the identifiable intangible assets, as described in additional detail in Note 8B.

- (I) Other liabilities includes an adjustment to eliminate deferred rent on Vencore's balance sheet that is not recognized for purchase accounting.
- (J) Stockholders' equity was adjusted as follows:

	Additional Paid-In Capital	Net Parent Investment	Retained Earnings / (Accumulated Deficit)	Accumulated Other Comprehensive Loss
Effects of the Spin-off:				
Removal of USPS Net parent investment (i)	\$2,843	\$(2,843)	\$ —	\$ —
Assumed EDS Notes (ii)	—	—	(91)	—
Perspecta Payment (iii)	—	—	(984)	—
Total pro forma Spin-off adjustment	<u>\$2,843</u>	<u>\$(2,843)</u>	<u>\$(1,075)</u>	<u>\$ —</u>
Effects of the Mergers:				
Elimination of total acquiree equity and accumulated other comprehensive loss (iv)	\$ (189)	\$ —	\$ 421	\$ 83
Consideration transferred (v)	777	—	—	—
Transaction costs (vi)	—	—	(48)	—
Total pro forma Mergers adjustment	<u>\$ 588</u>	<u>\$ —</u>	<u>\$ 373</u>	<u>\$ 83</u>

- (i) Represents the net parent investment to be removed as effect of the Spin-off.
- (ii) Represents adjustment for \$79 million (comprising \$66 million principal and \$13 million of unamortized premiums) of EDS Notes expected to be outstanding at Enterprise Services, a USPS subsidiary following the Internal Reorganization as well as \$12 million of payables to DXC assumed for consent fees paid by DXC in connection with the consent solicitation relating to the EDS Notes, and made in connection with the EDS Exchange Offer, prior to the spin-off transaction.
- (iii) Reflects the \$984 million distribution payment to be made to DXC prior to the Distribution, which reflects the transaction consideration of \$1,050 million less an expected \$66 million in principal amount of the EDS Notes that will remain outstanding at a subsidiary of Perspecta following the Internal Reorganization.
- (iv) Relates to the elimination of Vencore equity and accumulated other comprehensive loss.
- (v) Relates to additional paid-in-capital recorded for the purchase price allocation purchase consideration calculated as further described in Note 5.
- (vi) Reflects transaction costs estimated but not yet incurred related to the Spin-Off and the Mergers, as well as the deferred tax impact of such costs. The actual amount of transaction costs that are deductible for tax purposes is subject to a transaction cost study that will be performed subsequent to the closing of the Mergers.

Note 9: Pro Forma Statement of Operations Adjustments

The pro forma statements of operations reflect the following adjustments (in millions):

- (A) Costs of services was adjusted to conform the pension accounting policy of Vencore to that of USPS, as described in additional detail in Note 3.

(B) Selling, general and administrative expenses were adjusted as follows:

	Effects of the Mergers December 31, 2017		
	For the Nine Months Ended December 31, 2017 (Pro Forma)	For the Five Months Ended March 31, 2017 (Pro Forma)	For the Twelve Months Ended October 31, 2016 (Pro Forma)
Remove transaction costs (i)	\$ (7)	\$ —	\$ —
Remove management fees (ii)	(3)	(1)	(5)
Remove membership interest (iii)	(3)	2	—
Total adjustment to Selling, general and administrative expense	<u>\$(13)</u>	<u>\$ 1</u>	<u>\$ (5)</u>

- (i) Transaction costs represent costs paid to advisers, attorney and other third parties directly related to the Mergers. Accordingly, transaction costs have been eliminated as these costs are directly attributable to the Mergers, but which are not expected to have a continuing impact on results of operations following the consummation of the Spin-Off and the Mergers.
- (ii) Represents removal of annual historical Veritas management fees paid by Vencore that are eliminated as they are not expected to have a continuing impact on the results of operations following the consummation of the Spin-Off and the Mergers.
- (iii) Represents the elimination of the mark-to-market impact of Vencore's Class B/B-1 membership interests, which are not expected to have a continuing impact on the results of operations following the consummation of the Spin-Off and the Mergers.

(C) Depreciation and amortization were adjusted to reflect the change in amortization expense associated with acquired intangible assets.

All amortization adjustments related to identifiable definite-lived intangible asset are recorded to Depreciation and amortization. Historical amortization expense recorded in the combined statements of operations of Vencore totaled \$14 million, \$9 million, and \$24 million, respectively, for the nine months ended December 31, 2017, the five months ended March 31, 2017, and the twelve months ended October 31, 2016. Historical amortization was eliminated and replaced with the estimated amortization expense for the identifiable definite-lived intangible assets of \$68 million, \$38 million, and \$91 million for the nine months ended December 31, 2017, five months ended March 31, 2017, and twelve months ended October 31, 2016, respectively. The estimated amortization expense was computed using the straight-line method and an estimated useful life of 14 years for the program asset, and 5 years for technology.

A change of 10% in the estimated fair value allocated to the program intangible asset and technology would result in a change in the nine-month pro forma amortization expense of \$7 million, a change in the five-month pro forma amortization expense of \$4 million, and a change in the twelve month amortization expense of \$9 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 nine-month, five-month, and twelve-month pro forma amortization expense of \$6 million, \$3 million, and \$7 million, respectively, while a decrease in estimated useful life of one year would result in an increase in the nine-month, five-month, and twelve-month pro forma amortization expense of \$7 million, \$4 million and \$9 million, respectively.

- (D) Separation costs include costs arising from the separation of USPS from its parent, DXC as part of the Spin-off transaction. 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 Spin-Off and the Mergers.
- (E) Interest expense was adjusted as a result of the New Term Facility, New Revolving Credit Facility, EDS Notes assumed and Vencore outstanding debt repayment as further described in Note 6.

- (F) Represents the income tax impact of the pro forma adjustments, using an estimated statutory tax rate of 34% for the nine months ended December 31, 2017 and 39% for the five months ended March 31, 2017 and the twelve months ended October 31, 2016, respectively.
- (G) The adjustment to the weighted average common shares outstanding for basic EPS is to reflect the 143,276,917 shares of the combined company to be issued to DXC shareholders, in connection with the Spin-off, and the 23,392,406 shares of the combined company to be issued to the sellers of Vencore, in accordance with the Merger Agreement. The amount of shares to be issued was determined based on a 1:2 share distribution ratio for current DXC outstanding shares and the assumption that the 143,276,917 DXC shares outstanding would represent 85.97% of the total amount of shares issued of the combined company, based on DXC's outstanding common shares as of December 31, 2017. No dilutive effect was included for shares that may be issued in connection with awards granted by DXC prior to the Distribution, as the amount of awards to be exercised prior to the Distribution is not currently reliably estimable. The actual dilutive impact will depend on various factors and final share counts will not be known until the time of Distribution.

BUSINESS OF USPS

Overview

USPS is a leading provider of end-to-end enterprise IT services to government customers across U.S. federal, state and local markets. Using its market-leading enterprise offerings and solutions, USPS helps its government customers implement modern collaborative workplaces, hybrid cloud platforms and integrated digital systems of engagement with their enterprise management systems. By delivering these modern enterprise solutions, often while ensuring interoperability with mission critical legacy systems, USPS believes it has helped its government customers better realize the benefits of technology, which will ultimately enable them to fulfill their mission objectives and achieve business outcomes.

In addition to providing substantial benefits through increased efficiencies and capabilities, USPS believes demand for its services is also driven by the technological advances that already reinvented commercial industries, which are now exerting a similar evolutionary effect on government customers. In response to these pressures, USPS believes modern government customers are increasingly turning to outside partners, such as USPS, to help guide them through this digital transformation.

Examples of USPS's enterprise-based offerings and solutions for its U.S. government customers include:

- *Cloud, Platforms and ITO Services.* Through its cloud, platforms and infrastructure technology ("ITO") solutions, USPS is able to help its public sector clients transform to hybrid infrastructure and bridge private and public cloud environments into their legacy infrastructure. USPS's proven offerings help its clients securely move the right workload infrastructure to the cloud to support the rapid assessment and modernization of their applications to a native cloud infrastructure. USPS supports this capability with a customer-centric bi-modal approach. Using its best-practice advise and transform solutions, USPS helps its clients modernize traditional IT and implement digital solutions.
- *Enterprise and Cloud Applications.* USPS applications services and program excellence solutions for its U.S. government customers covers four areas: application modernization and transformation; application development; testing and digital assurance; and application management. USPS believes its application services and program excellence solution can ultimately reduce traditional IT spending by rationalizing and modernizing its government-customers' applications portfolio and infrastructure to exploit core IP contained in legacy applications and data.
- *Enterprise Security.* USPS's enterprise security solutions include building security infrastructure into the fabric of U.S. government agencies' digital enterprises. USPS believes its industry-leading enterprise security services and cybersecurity solutions help improve risk mitigation, speed resolution and enhance existing information assurance programs.
- *Mobility and Workplace.* USPS offers, through three primary focus areas, a full range of services for converged mobility and workplace management: (i) Mobile Enterprise Services allows clients to manage their mobile environment as a service with solutions for procurement, provisioning, refresh, proactive Enterprise Mobility Management ("EMM"), hardware and software support, security, and business usage analytics; (ii) Virtual Desktop and Application Services untethers data and desktop applications from physical user devices to give workforces and partners secure access to desktops, applications, and data from any device, anywhere; and (iii) Workplace Device Services transforms traditional workplace environments to deliver a comprehensive, secure, flexible and configurable environment that provides lightweight management of desktops, laptops and mobile.
- *Analytics.* USPS offers a complete portfolio of analytics services such as analytics platforms, information governance, artificial intelligence and advisory services, to rapidly provide insights and accelerate its public sector customers' digital transformation. In addition to further enhancing its government partners' digital infrastructure, USPS believes its analytics services improve decision-making and business processes in ways that are not possible using traditional data.

USPS believes its breadth of contracts and customers in the U.S. government, and its longstanding history of having partnered with its public sector customers for more than 50 years, provides it with a competitive advantage. For example, USPS has existing contracts with a range of public sector entities ranging from Veteran Affairs and the DoD, to the United States Postal Service, NASA, the U.S. Food and Drug Administration and the large state and local government customers such as the county of San Diego, California. Based on this breadth of experience and its expertise, USPS believes it is well positioned to help its U.S. government customers continue their ongoing digital transformation journey all the while addressing real business needs.

For the years ended October 31, 2016 and 2015, USPS's revenue was \$2,732 million and \$2,585 million, respectively, and net income (loss) was \$80 million and \$(29) million, respectively. For the nine months ended December 31, 2017 and October 31, 2016, USPS's revenue was \$2,104 million and \$2,103 million, respectively; net income was \$176 million and \$68 million, respectively.

History and Development

Prior to the Spin-Off, USPS was a business unit of DXC that focused on providing DXC's services and solutions to clients in the U.S. public sector. DXC was formed in April 2017 when HPE completed the spin-off of its enterprise services business to form DXC. Concurrently with the spin-off of its enterprise services business, Computer Sciences Corporation ("CSC") completed its combination with DXC, whereupon a wholly owned subsidiary of DXC merged with and into CSC with CSC surviving as a wholly owned subsidiary of DXC. Following the completion of the spin-off and merger, DXC became a separate publicly traded company.

The enterprise services business was founded in 1962 by H. Ross Perot as Electronic Data Systems Corporation ("EDS"). EDS was a pioneer in IT outsourcing providing infrastructure, applications and business process outsourcing to a variety of domestic and international clients. EDS was acquired by Hewlett-Packard Co. in 2008 and, in 2009, began going to market as HP Enterprise Services. HP Enterprise Services was spun-off as part of HPE in 2015. Following the Spin-Off, USPS will provide infrastructure and business processing outsourcing services to U.S. government customers.

Mission

Government agencies are charged with achieving critical mission objectives and providing citizen services in areas such as national security, health and welfare, and national infrastructure—all while managing within significantly constrained budgets. These organizations must anticipate changing demands of the public while staying ahead of threats and adversaries. USPS believes IT plays a dual role in this ongoing transformation imperative, both as a driver of change and an essential enabler to adapt to evolving business and mission requirements. Given the central role IT plays, USPS believes it can continue to play a critical role in helping its public sector customers continue to develop innovative ways to address their specific enterprise needs as they continue to evolve technologically to address changing demands and threats.

USPS Services and Solutions

USPS organizes its capabilities across five primary types of services and solutions: cloud, platforms and ITO solutions; enterprise and cloud applications; enterprise security; mobility and workplace; and analytics.

USPS's core services, key capabilities, and areas of expertise are described below:

Core Services	Cloud, Platforms & ITO	Enterprise & Cloud Applications	Enterprise Security	Mobility and Workplace	Analytics
Key Capabilities	<ul style="list-style-type: none"> • Cloud Advisory • Workload Migrations • Platform Services • Business Continuity • Brokerage Services • Service Integration and Management • AWS and Azure Solutions • Private Cloud & Utility Services • Network Management • Datacenter Hosting and Project Services 	<ul style="list-style-type: none"> • Cloud and Mobile Applications • Microsoft Dynamics • ServiceNow • Salesforce • Workday • Oracle Digital Transformation • Assessment for Oracle Cloud • SAP • IBM 	<ul style="list-style-type: none"> • Cloud Security Services • Data Protection and Privacy • Identity and Access Management • Infrastructure and Endpoint Security • Intelligent Security Operations • Security Advisory • Security Risk Management • Threat and Vulnerability Management 	<ul style="list-style-type: none"> • Microsoft 365 • Virtual Desktop Services • Invisible Workplace • Productivity Applications • Campus and Connectivity Networks • Enterprise Mobility Services 	<ul style="list-style-type: none"> • Analytics Advisory • Analytics and Big Data Platform • Analytics Solutions and Services • Artificial Intelligence and IoT Analytics • Information Governance • Managed BI and Analytics
Areas of Expertise	<ul style="list-style-type: none"> • Civilian • Defense • National Security • State, Local and Education • Federal Healthcare 		<ul style="list-style-type: none"> • Digital Business Transformation • Digital Government Transformation • Transformation Roadmaps • Managing Enterprise Risk in a Connected World • Enabling the Enterprise Through Hybrid Cloud • Cybersecurity 		

Cloud, Platforms and ITO Services

USPS's cloud, platforms and ITO services include incorporating modern computing platforms, such as cloud-based and hybrid cloud services and hyper-converged and converged systems, into existing or new government enterprise platforms, and assisting government customers in updating their legacy systems. USPS designed and developed cloud-based services include its own Federal Risk and Authorization Management Program ("FedRAMP") community cloud services and private clouds based on VMware which can either be hosted by the government customer or USPS. Through its FedRAMP cloud and private cloud offerings, USPS is

able to help its U.S. government customers run critical application workloads on shared infrastructure. In addition to creating private secure cloud solutions, USPS also helps its government customers transform to the cloud and hybrid cloud systems with its cloud advisory and workload migration services. USPS also helps its customers implement feature-rich cloud solutions by being a managed service provider of Amazon Web Services (“AWS”) and Microsoft Azure. For example, USPS works with AWS and Microsoft Azure to implement and manage their cloud platforms based on the commercial and security and compliant government cloud architectures, which is a particularly compelling platform for the rapid and continuous modernization of aging government systems of record with new public facing systems of engagement.

In addition to incorporating cloud platforms, USPS also assists its customers with IT brokerage and IT service management offering by helping clients govern and manage their IT services and workloads across the optimal mix of public, private and tradition datacenter environments, all the while providing enhanced security and high availability. For example, USPS provides high availability with its continuity service, which is a service that helps its government customers identify potential at risk systems, and protect their enterprises by implementing bespoke solutions that can mitigate the damage from a malfunction or other network failure. In the event of a malfunction or network failure, USPS also assists its government customers by helping them recover their IT infrastructure, data and applications by moving these systems to one of USPS’s recovery centers. USPS also provides traditional datacenter hosting, network, storage and mainframes services and other solutions to help its government customers maintain efficient IT platforms.

USPS believes that demand for its cloud, platform and ITO services will continue to be strong. For example, as government organizations create a new “right mix” of applications and data, they are looking for a right mix of infrastructure to support it, some of which originates outside the boundaries of the government itself. This leads them to transform to hybrid infrastructure—migrating and managing workloads across on-premises and off-premises data centers as well as private and public clouds—permitting the consumption of evergreen software-as-a-service offerings.

Further, advances in cloud computing and storage, elastic networks, and sophisticated development and analytics platforms are making inexpensive, massively scalable computing resources available to virtually any government organization. As a result, government organizations that previously may have not been able to update their legacy infrastructure systems, are increasingly turning to companies such as USPS to help them implement these new digital systems. Further, these digital tools are useful for government customers as they provide the ability to rapidly try new services, instantly scale those that deliver mission outcomes, and quickly eliminate those that do not.

Enterprise and Cloud Applications

Through USPS’s enterprise and cloud application services, USPS is able to assist its government customers to incorporate enterprise and cloud applications that can be utilized to increase efficiencies and government capabilities. For example, utilizing its expertise and longstanding experience in advising government organizations, USPS works with its customers to develop bespoke applications to, among other things, enhance customer engagement and employee productivity. These services, which are provided through USPS’s global development centers, include user experience design, mobile app development, native cloud app development, and testing. In addition to providing bespoke applications, USPS also partners with organizations like IBM, Microsoft and Oracle to provide application solutions. For example, USPS partners with IBM to help its government customers derive more value from legacy applications. USPS believes it is able to achieve this by leveraging IBM tools such as API Connect Services and Bluemix to develop solutions that allow new digital applications to interface seamlessly with legacy applications. In addition to providing applications through partners, USPS also helps its government customers by improving third-party applications. For example, USPS has a SAP applications services that helps its customers transform their SAP applications environment into a more cost-effective and efficient ecosystem.

USPS believes that demand for its enterprise and cloud applications service will continue to be strong because modern government customers are increasingly moving away from on premise, highly customized implementations of commercial off-the-shelf and government off-the-shelf software packages in favor of cloud native Software-as-a-Service alternatives. USPS believes government customers are making this change because, for the end user/consumer, cloud-native applications offer a continuous and rapid feed of new features, functions and capabilities, and for the government IT departments, cloud-native applications offer a might lighter workload, eliminating the need for personnel to manage updates, upgrades and patches.

Enterprise Security

With its enterprise security services, USPS provides its U.S. government customers increased protection in a time of growing cybersecurity risks. For example, USPS enterprise security services include providing data protection and privacy solutions and identity and access management solutions that can be implemented directly into existing government IT enterprise systems. Another aspect of USPS's enterprise security is its intelligent security operations, which provide tailored solutions to support the government customer's digital enterprise; ultimately enabling it to monitor and respond to the evolving threat landscape. Further, USPS also helps its customers by providing security advisory and security risk management services. These consultancy led services help the government customer assess risks, through penetration testing, vulnerability scanning, social engineering and attack simulations, and implement remediation plans to help ensure cybersecurity.

Due to the escalating risks associated with cyber-attacks, government customers are placing a greater emphasis on enterprise security. Further, expanding enterprise boundaries, building ecosystems with third parties and making information available to many more stakeholders, both inside and outside government, are all creating new security challenges for government customers to address. In this environment, a fortress mentality does not work. Government customers must strike a balance between enablement and protection, drawing on cybersecurity fundamentals but implementing these solutions using new and emerging technological approaches provided by companies such as USPS.

Mobility and Workplace

Through its mobility and workplace services, USPS is able to provide its government customers enterprise solutions that provide new workplace capabilities, improve efficiency and operational flexibility. For example, USPS has helped its government customers by providing virtual desktop services which untether data and desktop applications from physical user devices to give client workforce and partners secure access to desktops, applications, and data from any device, anywhere. In addition to providing desktop services, USPS also provides its government customers productivity applications such as providing the collaboration tools available through Microsoft Office 365 and Windows 10. In addition to providing mobility and workplace solutions, USPS also provides its government customers ongoing support and consulting. For example, USPS can help its government customers manage their mobile environment by providing solutions for procurement, provisioning, refresh, hardware and software support, security, and business usage analytics.

USPS believes that government demand for its mobility and workplace solutions will continue to grow because modern government customers are starting to adapt commercial sector initiatives such as open source communities and collaboration platforms. As a result of this initiative, government organizations are rapidly adopting cloud-native software- as-a-service offerings such as Microsoft Office 365, Skype, Teams, Slack and Facebook. These offerings provide dramatic new options for communication and collaboration, not only within government organizations, but also across government silos and out to partners and citizens.

Analytics

USPS analytics service provide its U.S. government customers a wide range of tools to help understand, and improve, their organizations. For example, USPS has the ability to bring out-of-the-box technologies and data

scientists to quickly support client needs and leverage existing investment. Further, USPS's analytics solutions can be tailored to the customer's needs and objectives, with right-sized tiered solutions and deployment options across clouds and on premise. USPS also utilizes advance, proprietary technologies, such as machine learning, artificial intelligence, and internet of things, to provide enhanced insights with real-time situational intelligence and improved business outcomes. USPS's analytics services also includes information governance consulting to help its government customers classify, archive and manage both physical and electronic data reliably and cost effectively.

Long Standing Relationships with Industry and Customers

USPS has partnered with, and provided its technology-focused enterprise solutions to, the U.S. federal, state and local governments for more than 50 years. Utilizing USPS enterprise solutions, USPS has been able to aid a variety of U.S. government partners achieve significant improvements and milestones as further illustrated below:

<u>Government Partner</u>	<u>USPS Solution</u>	<u>Outcome</u>
U.S. Navy	USPS provides the U.S. Navy innovation solutions to secure its intranet, the largest in the world, by implementing a broad range of integrated security solutions to improve depth and secure posture, and network security and authentication for secure network access across all devices.	Through USPS's multifaceted security solution, the U.S. Navy's intranet successfully detects over 300 million threats and prevents over 2.5 billion unauthorized intrusion attempts per year.
Centers for Medicare and Medicaid Services ("CMS")	As a result of the implementation of the Affordable Care Act, uninsured Americans were able to purchase health insurance through the Federal Health Insurance Marketplace (healthcare.gov) which USPS helped CMS and the U.S. government develop.	In the 2016 enrollment year, healthcare.gov achieved high performance and reliability goals. More than 29 million users were on the site from November 1 to February 1, including 1.7 million users on the Spanish-language site. Despite high peak numbers on many days, site reliability and security was never compromised.
County of San Diego	To help San Diego County probation officers more efficiently manage their caseloads outside the office, USPS developed the Probation Utility and Mobile Applications ("PUMA"), which empowered probation officers by providing on-demand access to their cases and the ability to enter contact notes in the field.	As a result of the PUMA system developed by USPS, San Diego County probation officers were able to increase productivity by approximately 54% all the while ensuring accuracy and consistency.
	USPS rationalized and modernized hundreds of sprawling applications in a heterogeneous applications infrastructure across a distributed management structure, transforming	Applications rationalized and modernized resulted in a 25% reduction in applications and a refocusing of apps management personnel for higher value initiatives.

<u>Government Partner</u>	<u>USPS Solution</u>	<u>Outcome</u>
	the applications environment allowing for the county to achieve its IT vision of. “anytime, anywhere” service.	Applications portfolio now in a position for further modernization in a cloud environment.
California Department of Corrections and Rehabilitation (“CDCR”)	To help the CDCR, which operates one of the largest correctional systems in the world, USPS developed the enterprise solution Strategic Offender Management System (“SOMS”) which streamlines processes by consolidating legacy databases and converting inmate records into digital files.	Created and hosted by USPS, the SOMS solution provides the CDCR an integrative record system for more than 175,000 offenders in the CDCR.
Defense Information Systems Agency (“DISA”)	USPS partnered with DISA to transform key applications and services to drive efficiencies, improve security and capture costs savings.	Through the integration of USPS’s offerings, DISA is able to provide integrated, interoperable and assured infrastructure capabilities, applications and services to its users across the software development lifecycle, engineering and technical support.
U.S. federal government	USPS is partnering with a client in the U.S. federal government to develop a DevOps environment, providing IT and engineering services for software residing on the government’s secure version of AWS. The program scope includes identifying, prioritizing, integrating, and testing new and modified software and components to satisfy the architectural vision of the enterprise of the Software Services Platform (“S2P”).	Through the contract, government client has enjoyed an exponential growth in the user base and the number of software services offerings to the enterprise community. As a result there is realized savings in project schedules and cost across the many contracts within the enterprise.

The above chart illustrates only a handful of the beneficial outcomes USPS enterprise solutions has afforded its U.S. government partners.

In addition, USPS serves as the prime contractor on 94% of its work, as measured by annual revenue. USPS believes that its sophisticated solutions, and proprietary processes and tools developed over decades-long support of its customers’ missions make it difficult for USPS’s competitors to displace USPS. This is evidenced by USPS’s 90% historical re-compete win rate. In addition, USPS has longstanding relationships with its customers, with relationships with certain key customers spanning over 50 years.

Business Environment and Competitive Landscape

Market Dynamics and Potential for Growth

USPS believes significant change is coming to the government sector, enabled by new technologies and the demand for empowered citizens and employees. Instead of delivering services through traditional channels, agencies are expected to deliver new services that inspire public trust by holistically delivering outcomes that meet the rapidly changing needs of citizens and requirements of government policies. These services must be

simple and flexible enough for citizens to evaluate, tailor and consume through multiple channels and multi-organizational composition.

To deliver on these growing expectations, government agencies can make substantive progress in four key areas: modern collaborative workplaces, hybrid cloud platforms, citizen/user experience platforms, and integrated digital service management platforms. To do this, government agencies are developing an ecosystem of partners and value-added service providers, connected through digital platforms. They are also overhauling processes through digital transformation and gaining control over their vast IT estate to become more effective and efficient in supporting programs.

At the center of this shift is a rapid migration from government-owned and developed custom IT systems, to standardized, service-delivered platforms and utilities. Clients—particularly the mission leaders who are driving purchasing decisions—see that standardized platforms are at least “good enough” to meet their needs and, in many cases, offer cost, scalability and interoperability benefits that would be unachievable with an “owned and operated” approach. In this environment, USPS believes a limited number of key digital platforms will become dominant, such as Microsoft (with Azure, Office365 and Dynamics), AWS and ServiceNow.

USPS believes the market for providing technology-based enterprise solutions to the U.S. public sector, at the U.S. federal, state and local level, has the potential for growth based on the following factors:

- *Large addressable market.* USPS expects the overall amount spent on contracted services between federal state and local governments will be more than \$100 billion during the upcoming fiscal year and expects this amount to continue to see incremental growth in the near term.
- *Increasing demand for technology-based enterprise solutions.* USPS believes the public sector is undergoing a transformation where IT is being incorporated in all levels of the U.S. government. This transformation is being driven, at least in part, by the imperative that public agencies be able to anticipate changing demands of the public while staying ahead of threats and adversaries. Given the central role IT plays in this transformation, which will continue to evolve as demands and threats change, USPS believes there will be a continued demand for its enterprise solutions.
- *Government-wide mandate to improve efficiency and reduce cost.* U.S. federal, state and local governments have expressed a need to improve efficiency and reduce costs to help fund shifting government priorities such as national defense, cybersecurity, and an aging infrastructure. IT has the potential to disrupt traditional government business models and be an enabler of increased efficiency and cost savings, while improving public value.
- *Government cloud-first policy.* The U.S. federal government’s cloud-first policy, which has already driven an initial wave of migration to the cloud, with the easier migrations having been completed, is creating demand for complex cloud-based solutions to address the more difficult migrations. In addition, the Executive Branch of the U.S. federal government has recently announced significantly higher expectations for standardization, rationalization and modernization of IT, with significant targets for reduced IT budgets in order to redirect funding to mission priorities, especially in defense, the intelligence community and Homeland Security. In addition to the U.S. federal government’s cloud-first policy, recent surveys of state-level chief information officers, or individuals holding a similar position (together, “State CIOs”), indicate that over 70% of states have cloud-first policies and over 70% are developing strategies to migrate legacy applications to the cloud according to a survey conducted by the National Association of State Chief Information Officers in 2016. As the IT market shifts, mission owners, with clear targets for policy outcomes, are becoming increasingly significant in digital decision making. This shift presents an opportunity for USPS to increase its market share and overall growth by leading government clients in digital business transformation to modern service-delivered platforms.
- *Aging critical systems require modernization.* Mission critical legacy applications are rapidly aging, but still have rising costs, decreased performance, reliability, and functionality issues. State CIOs have

reported that legacy systems that have to be replaced or even modernized account for over 60% of their current applications according to a survey conducted by the National Association of State Chief Information Officers in 2016. The U.S. federal government has prioritized modernizing their IT systems, including the passage of the MGT Act attached to the National Defense Authorization Act that creates a working capital fund to support legacy modernization efforts. USPS believes that the public sector requires application modernization and transformation services to update legacy systems in order to maintain mission critical services and leverage social, mobile, analytical and cloud technologies to improve IT services available to government employees and citizens.

- *Increased cybersecurity demands and focus.* U.S. federal, state and local governments have established initiatives to modernize their cybersecurity in order to protect their IT enterprise systems. The need to secure large, complex, sensitive government networks, communications, data, and applications has created a growing demand for innovative security solutions to defend the country and protect sensitive information of its citizens.

Competitive Landscape.

The market for providing services to the U.S. public sector is highly competitive and favors participants with competitive cost structures and experience providing, procuring and delivering on bids. USPS believes it is well suited to compete given its experience, the breadth of professional IT services it can, and has historically provided to the U.S. public sector. Given that USPS provides services across the U.S. public sector, it regularly competes with a range of companies including:

- Pure-play U.S. government service providers are highly specialized firms that have exceptional mission knowledge, customer intimacy or specific IP that can make them major competitors in the markets that they serve. Some of USPS's competitors in this category include Leidos, Booz Allen Hamilton, CACI, CSRA, Science Applications International, Engility and ManTech International.
- Large defense contractors are capable of competing across USPS's entire market, and they possess the reputation and ability to compete on large deals with any U.S. government agency and have the financial strength to manage and execute large-scale programs. Some of the large defense contractors USPS regularly competes with include Lockheed Martin, Northrop Grumman, Raytheon, Boeing and General Dynamics.
- Diversified commercial consulting, technology and outsourcing service providers are highly regarded and successful with commercial customers, but typically lack the breadth of public sector offerings and presence to compete broadly across the public-sector market. Some of USPS's competitors in this category include subsidiaries of IBM, Deloitte, AT&T, Verizon, Dell, Accenture, NTT Data, Unisys and CGI Group.
- Small businesses generally provide services to the U.S. government through requirements and incentive programs designed to create entrepreneurial opportunities for small business owners. These can include businesses identified to receive a "fair proportion" of government contracts through the Small Business Act such as small disadvantaged businesses, woman owned small businesses, HUBZone businesses and service disabled veteran owned small businesses.
- Commercial cloud-centric IT vendors have recently emerged as players in the U.S. government market. These vendors include AWS, Microsoft Azure, Google, Salesforce, ServiceNow and other cloud providers.

Employees

USPS is led by an experienced team of senior executives with a long history of supporting the U.S. public sector. USPS's senior leadership has an average of over 18 years of experience in relevant industries or roles and are well regarded by USPS's customers and partners.

As a service company providing enterprise solutions, USPS's employees are its most valuable and important asset. USPS believes the quality and credentials of its employees represent a key differentiating feature in the market for USPS's services. As of December 31, 2017, USPS had approximately 7,700 employees, with approximately 45% of its employees having some form of security clearance and approximately 27% of its employees having Top Secret and/or Sensitive Compartmented Information level clearance, which typically requires the completion of a polygraph.

Intellectual Property

USPS's services and solutions are not generally dependent upon patent protection, although USPS anticipate it will selectively seek certain patent protections. The USPS largely proprietary IP portfolio, comprising products, technical services, consulting, methodologies, and know-how, will be licensed to us by DXC and is protected using non-disclosure agreements and contractual arrangements, as well as one or more of the following: trade secret, patent, copyright or trademark protections.

For our work under U.S. federal government funded contracts and subcontracts, the U.S. federal government obtains certain rights to data, software and related information developed under such contracts or subcontracts. These rights may allow the U.S. federal government to disclose such data, software and related information to third parties.

Regulatory Matters

As a U.S. government contractor, USPS's business is heavily regulated and, as a result, its need for compliance awareness and business and employee support is significant. Specifically, USPS's industry is governed by various laws and regulations, including but not limited to laws and regulations relating to: the formation, administration, and performance of contracts; the security and control of information and information systems; international trade compliance; human trafficking; and the mandatory disclosure of "credible evidence" of a violation of certain criminal laws receipt of significant overpayments, or violations of the civil False Claims Act. In addition, U.S. government contractors are generally subject to other federal and state laws and regulations, including:

- the FAR, agency supplements to the FAR, and related regulations, which regulate the formation, administration, and performance of U.S. government contracts;
- The civil False Claims Act, which allows the government and whistleblowers filing on behalf of the government to pursue treble damages, civil penalties, and sanctions for the provision of false or fraudulent claims to the U.S. government.
- the Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with the negotiation of certain contracts, modifications, or task orders;
- the Procurement Integrity Act, which regulates access to competitor bid and proposal information, as well as certain internal government procurement sensitive information. In addition, this act regulates USPS's ability to provide compensation to certain former government procurement officials;
- laws and regulations restricting the ability of a contractor to provide gifts or gratuities to employees of the U.S. government;
- post-government employment laws and regulations, which restrict the ability of a contractor to recruit and hire current employees of the U.S. government and deploy former employees of the U.S. government;
- laws, regulations, and executive orders restricting the use and dissemination of information classified for national security purposes or determined to be "controlled unclassified information" or "for official use only";

- laws and regulations relating to the export of certain products, services, and technical data, including requirements regarding any applicable licensing of USPS's employees involved in such work;
- laws, regulations, and executive orders regulating the handling, use, and dissemination of personally identifiable information in the course of performing a U.S. government contract;
- laws, regulations, and executive orders governing organizational conflicts of interest that may prevent USPS from bidding for or restrict its ability to compete for certain U.S. government contracts because of the work that USPS currently performs for the U.S. government;
- laws, regulations, and executive orders that mandate compliance with requirements to protect the government from risks related to USPS's supply chain;
- laws, regulations, and mandatory contract provisions providing protections to employees or subcontractors seeking to report alleged fraud, waste, and abuse related to a government contract;
- the "Contractor Business Systems Rule," which authorizes DoD agencies to withhold a portion of USPS's payments if USPS is determined to have a significant deficiency in any of its accounting, cost estimating, purchasing, earned value management, material management and accounting, or property management systems; and
- the "Cost Accounting Standards and Cost Principles," which impose accounting requirements that govern USPS's right to reimbursement under certain cost-based U.S. government contracts and require consistency of accounting practices over time.

USPS is also subject to oversight by the U.S. Office of Federal Contract Compliance Programs ("OFCCP") for federal contract and affirmative action compliance, including the following areas:

- affirmative action plans;
- applicant tracking;
- compliance training;
- customized affirmative action databases and forms;
- glass ceiling and compensation audits;
- desk and on-site audits;
- conciliation agreements;
- disability accessibility for applicants and employees;
- diversity initiatives;
- Equal Employment Opportunity compliance;
- employment eligibility verification (known as "E-Verify");
- internal affirmative action audits;
- internet recruiting and hiring processes;
- OFCCP administrative enforcement actions;
- record-keeping requirements; and
- Sarbanes-Oxley compliance.

Seasonality

USPS generally experiences increased bid and proposal costs in the months leading up to the U.S. federal government's fiscal year end, which occurs September 30, as it pursues new contract opportunities being

awarded shortly after the U.S. federal government fiscal year end. As a result of this timing, USPS costs tend to be higher in its first quarter and its revenue tends to be higher in its second quarter, as compared to other periods during USPS's fiscal year. In addition, it is not uncommon for U.S. federal government agencies to award extra tasks or complete other contract actions in the weeks leading up to the end of its fiscal year, which occurs on September 30, in order to avoid the loss of unexpended fiscal year funds. In addition to experiencing seasonality affects due to the timing of the U.S. federal government fiscal year, USPS also experiences some seasonality affects from the timing of the fiscal year end close for state and local governments, which is in many instances are different than the U.S. federal government fiscal year end. In general, USPS tends to experience an increase in revenue in the first half of the calendar year from its state and local government customers as that is when funds are generally allocated to specific projects.

Properties

As of December 31, 2017, USPS conducted its operations in approximately 26 USPS-owned or leased locations occupying approximately 1.4 million square feet. USPS's major locations are in Herndon, Virginia and Clarksville, Virginia, where it occupies approximately 0.6 million square feet, collectively. USPS has other significant facilities located in Boise, Idaho, San Diego, California and El Paso, Texas, where it occupies approximately 168,000, 115,000 and 80,000 square feet, respectively. USPS considers its facilities to be well-maintained and adequate to meet its current needs.

Following is a summary of properties USPS owns or leases.

<u>Properties Owned</u>	<u>Approximate Square Footage</u>	<u>General Usage</u>
Clarksville, Virginia	205,420	Data Center
Herndon, Virginia	385,483	Gov. and Account Support

<u>Properties Leased</u>	<u>Approximate Square Footage</u>	<u>General Usage</u>
Alexandria, Virginia	26,519	Account Support
Annapolis Junction, Maryland	70,825	Gov. and SCIF
Boise, Idaho	168,446	Account Support
Chantilly, VA	23,852	Sales
Colorado Springs, Colorado	63,319	Sales
El Paso, Texas	80,000	Account Support
Hingham, Massachusetts	55,168	Account Support
Miramar, Florida	29,161	Account Support
Montgomery, Alabama	44,682	Account Support
Raleigh, North Carolina	30,657	Account Support
San Diego, California	114,689	Sales
South Charleston, West Virginia	26,526	Data Center
St. Petersburg, Florida	15,741	Account Support
Various other U.S. locations	26,481	

Legal Proceedings

Under the terms of the Separation and Distribution Agreement we will be responsible for and will indemnify DXC for any liabilities arising from claims, disputes and other matters relating to the USPS business. Set forth below is a description of certain actions brought against or involving DXC or its subsidiaries that relate to our business and for which we will be responsible after the Spin-Off.

In December 2013, plaintiffs brought actions against HP Enterprise Services, LLC, now known as Enterprise Services, LLC and others in connection with the September 2013 Washington, DC Navy Yard

shooting that resulted in the deaths of 12 individuals. The perpetrator was an employee of The Experts, Enterprise Services' now terminated subcontractor on Enterprise Services' IT services contract with the U.S. Navy. A total of 15 lawsuits arising out of the shooting have been filed. All have been consolidated in the U.S. District Court for the District of Columbia. Enterprise Services filed motions to dismiss on December 11, 2015, and in an opinion dated September 15, 2016, the Court granted the motions in part and denied them in part with regard to the nine cases filed prior to September 2016. On September 1, 2017, the Court granted in part and denied in part Enterprise Services' motion to dismiss the claims asserted in the remaining six cases.

On April 28, 2017, the Court entered a scheduling order, bifurcating the proceedings in all fifteen cases into two phases. The first phase shall address all issues other than plaintiffs' damages. The second phase shall address plaintiffs' damages. The Court ordered that fact discovery in the first phase shall be completed no later than December 11, 2017. On December 4, 2017, the Court extended the deadline for the completion of first-phase fact discovery to February 12, 2018. A status conference is scheduled for April 12, 2018.

On August 18, 2016, a purported class and collection action was filed in the U.S. District Court for the Northern District of California, against HP and HPE (together, the "Defendants") alleging violations of 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. Former business units of HPE, including USPS, will be proportionately liable for any recovery by plaintiffs in this matter. Plaintiffs seek to certify a nationwide class action under the ADEA comprised of all U.S. residents employed by defendants who had their employment terminated pursuant to a work force reduction ("WFR") plan on or after December 9, 2014 (deferral states) and April 8, 2015 (non-deferral states), 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 the Defendants in the state of California and terminated pursuant to a WFR plan on or after August 18, 2012. On January 30, 2017, the Defendants filed a partial motion to dismiss and a motion to compel individual arbitration of claims by opt-in plaintiffs who signed releases as part of their WFR packages. On September 20, 2017, the Court denied the partial motion to dismiss without prejudice, but granted the Defendants' motions to compel arbitration. Accordingly, the Court stayed the entire action pending arbitration, and administratively closed the case. The Court reaffirmed the stay of litigation on February 6, 2018. On December 21, 2017, Defendants filed a motion to enjoin class arbitration, which the Court denied on February 6, 2018. On March 6, 2018, the Court granted Defendants leave to file a motion for consideration of the arbitration venue issue. That motion is now fully briefed and pending before the Court. In the meantime, the American Arbitration Association is moving forward with the selection of arbitrators for a single collective arbitration in San Francisco, California.

In addition, USPS may from time to time be involved in various claims and legal proceedings of a nature it believes are normal and incidental to its business, including those relating to employment matters, relationships with customers and contractors, IP disputes and other business matters. Regardless of outcome, litigation can have an adverse impact on USPS because of defense and settlement costs, diversion of management resources and other factors. Further, USPS's performance under its U.S. government contracts and its compliance with the terms of those contracts and applicable laws and regulations are subject to continuous audit, review and investigation by the U.S. government.

BUSINESS OF VENCORE

The following discussion describes the businesses of Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries on a combined basis. The businesses of Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries were historically operated independently as separate businesses under common control by Veritas Capital. Following the completion of the Spin-Off and the Mergers, we expect Perspecta's management to run USPS, Vencore Holding Corp., KGS Holding Corp., and their respective subsidiaries, as one integrated business. Accordingly, as used in this Information Statement, all references to "Vencore" are to Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries on a combined basis.

Overview

Vencore is a leading provider of mission-critical, innovation-driven services and solutions to U.S. government customers. The foundation of Vencore's business is the application of SE&I, cybersecurity, big data analytics and applied research on an enterprise-wide scale to assist Vencore's U.S. government customers in solving their most complex information-related challenges. Vencore is a leader in the architecture and integration of highly-engineered, mission-critical information solutions across the U.S. government, and provides enterprise-level support to multiple governmental programs that manage, collect, analyze and disseminate critical mission data to national security agencies and their customers. Vencore maintains industry-leading expertise in providing comprehensive solutions throughout the life of multi-billion dollar systems that support the core missions of the U.S. intelligence community and other U.S. government agency customers. Vencore's services and solutions span the entire lifecycle of programs, encompassing system(s) definition, architecture, agile solutions development, test and integration, deployment, and operations. Further, Vencore's leading data analytics capabilities for investigative case management and human resources are equipped to meet the growing demand and evolving complexity of the background investigative and identity authentication solutions sector.

Vencore categorizes its primary services and solutions, and core competencies, as SE&I, cybersecurity, big data analytics and applied research. Vencore believes that the breadth of its capabilities differentiates it from Vencore's competitors by allowing it to architect complex systems and service the full range of its customers' requirements across the entire enterprise, often placing Vencore at the center of the customers' missions.

Vencore's focus on critical technology disciplines and innovation has resulted in over 260 issued patents and pending patent applications, owned, pending or licensed by Vencore. Aside from patents and patent applications, Vencore also maintains a rich portfolio of other IP derived from customer investments in its programs and augmented by Vencore's own internal R&D initiatives. Vencore derived approximately \$71 million of customer investment from Vencore Labs programs for the year ended December 31, 2016. Vencore's expertise in applied research drives the continued development of its IP portfolio and domain expertise. These technical discriminators, coupled with Vencore's deep customer intimacy, have enabled Vencore to deliver cutting-edge SE&I solutions for its intelligence community and space customers as their trusted partner for over 40 years. Vencore leverages this IP portfolio to drive growth across existing programs and win new business opportunities with new and existing customers. The tools Vencore develops are often directly applicable to its core business and Vencore actively seeks opportunities to apply these solutions across its portfolio. In recent years, Vencore has leveraged these intelligence community and space solutions to expand its addressable market to include U.S. federal government agency customers.

The primary market for Vencore's services is the U.S. government, which Vencore estimates (based on the aggregate total of individual market estimates presented elsewhere in this Information Statement) represents an approximate \$120 billion annual market opportunity across the intelligence community, DoD, Department of Homeland Security ("DHS"), NASA, NBIB and other federal civilian agencies. Owing to Vencore's extensive history as a leading SE&I contractor for the intelligence community, Vencore has successfully applied its differentiated solutions to establish crucial positions at important adjacent customers, including the General Services Administration ("GSA"), NOAA and other federal agencies. Vencore defines its core markets as

intelligence, defense, space, federal civilian agencies, and the commercial market. Because Vencore's core government markets remain well funded by the U.S. federal budget, Vencore believes its capabilities are directly aligned with high growth areas of the U.S. government budget.

For the years ended December 31, 2017, 2016 and 2015, Vencore's revenue was \$1,376 million, \$1,405 million and \$1,399 million, respectively. For the years ended December 31, 2017, 2016 and 2015, net income was \$26 million, \$20 million and \$23 million, respectively. Vencore's industry-leading re-compete and new business award rates, significant prime contractor mix and recurring NBIB business together provide Vencore with significant revenue and earnings visibility. Vencore uses the term "qualified pipeline" to represent the aggregate opportunities that have been formally entered into its new business capture process and that have successfully completed comprehensive reviews with business leadership focused on requirements alignment to Vencore's capabilities, availability of customer funding, defined customer acquisition strategy and timeline, and an approved Vencore win strategy.

Vencore's History

Vencore is a purpose-built intelligence and government services platform created through the combination of highly complementary businesses, which today form the foundation of its capabilities, expertise, and longstanding customer relationships. Vencore traces its roots to General Electric Company's aerospace division, which in 1972 established The SI Organization Inc. ("The SI"), Vencore Inc.'s predecessor entity, in response to a request from an Intelligence Community customer for world-class SE&I expertise to help create a comprehensive, space-based national intelligence system. The SI was acquired by Lockheed Martin's predecessor, the Martin Marietta Corporation, in the early 1990s. Following the acquisition, Vencore expanded its core capabilities and service offerings to include highly-classified, mission-critical capabilities for multiple intelligence agencies, including the Defense Mapping Agency, a predecessor organization to the NGA, and the National Security Agency ("NSA"), and developed a reputation as a leading systems integrator delivering solutions to solve complex challenges.

In 2010, Lockheed Martin divested The SI. Veritas Capital acquired The SI from Lockheed Martin with the goal of creating a leading SE&I platform for the broader U.S. government market. In 2013, Vencore acquired Applied Communication Sciences ("ACS"), which was a leading provider of applied, largely customer-funded research and technology solutions to the U.S. defense and intelligence agencies, civil government organizations, and a variety of commercial customers. Through the ACS acquisition, Vencore also acquired or expanded its relationship with customers such as the Defense Advanced Research Projects Agency ("DARPA"), the Intelligence Advanced Research Projects Activity ("IARPA"), and other DoD and R&D organizations, while broadening partnerships with leading universities and key professional communities. In 2014, Vencore acquired QinetiQ North America Services and Solutions Group ("QNA SSG"), which was a leading provider of differentiated, highly-engineered technical solutions to the U.S. government, with a diversified customer base and incumbent positions on key contracts. The QNA SSG acquisition doubled the size of the business, greatly expanded the addressable market, delivered significant synergies, and enhanced Vencore's competitive position by adding long-standing contracts with the DoD, DHS, NASA, GSA and other federal civilian agencies. The acquisition also expanded the strategic mission and technological capabilities of Vencore, most notably agile software development for mission-critical systems, classified and commercial launch support, spacecraft engineering and enterprise IT. Following the acquisition of QNA SSG, Vencore rebranded the organization as "Vencore" and reorganized the combined business to more efficiently and effectively address its target markets and serve its customers.

KeyPoint Government Solutions is the largest provider of background investigative services for the U.S. government. Its background clearance experience is rooted in the legacy of Kroll Government Services ("KGS"), founded in 1995 to pioneer the concept of investigative due diligence and independent investigation services to police departments. In 2003, following the formation of DHS, TSA and CBP selected KGS to perform preliminary background investigations on its large newly-hired workforce of federal security and border patrol

agents. In 2004, NBIB selected KGS to perform identity authentication services for its newly-hired employees as well. These opportunities were milestones in KGS' expansion to operate on a national scale. In 2009, Kroll Government Services spun off from Kroll and was renamed KeyPoint Government Solutions following its acquisition by Veritas Capital. KeyPoint Government Solutions has an industry-leading investigator network and proprietary case management system supported by a robust IT infrastructure, which drives high case completion rates. KeyPoint Government Solutions is the largest incumbent contractor on the recently awarded recompetes of NBIB's five year background investigation ID/IQ contract. This strategic acquisition positioned KeyPoint Government Solutions to penetrate and expand into new segments and customers, leverage new capabilities to increase intelligence community presence, and pursue growth opportunities related to an expected transition to continuous monitoring for federal personnel.

Vencore's Services and Solutions

Vencore organizes its capabilities across three primary types of services and solutions: SE&I, cybersecurity and big data analytics. Vencore also performs customer directed applied research, which serves as the R&D engine of its business, driving innovation and producing cutting edge solutions that may be applied across all of its end markets and customers.

Vencore's core services, key capabilities, and areas of expertise are described below:

Core Services				
	SE&I	Cybersecurity	Big Data Analytics	Applied Research
Key Capabilities	<ul style="list-style-type: none"> • Systems Engineering • Program Management and Control • Enterprise Integration • Independent Verification and Validation • Mission Design and Analysis • Agile Systems SE&I • Software Design and Development • IT and Cloud Engineering • Lean Six Sigma / process Improvement 	<ul style="list-style-type: none"> • Platform, Network & Critical Infrastructure Protection • Threat Prevention, Detection, Analytics and Response • Computer Network Exploitation • Security Tools and Solutions • Security Operations Center • Cyber SE&I Policy, Risk Management & Compliance • Training, Planning & Exercises 	<ul style="list-style-type: none"> • Performance Modeling and Analysis • Intelligence Analysis • Predictive Analysis and ongoing monitoring • Activity-based Intelligence Analysis • Training Solutions & Services • System Readiness Analysis • Enterprise Logistics Analysis • Signal Intelligence • Precision Communications Analysis • Investigative Due Diligence and Analysis 	<ul style="list-style-type: none"> • Wireless Communications • Cybersecurity & Resiliency • Optical Networking & Network Operations • Mobility Solutions • Knowledge-Based Systems • Data Analytics • Cloud Security • Telematics • Quantum Computing & Communications • Software Defined Networking

Areas of Expertise

- Space and Satellite Engineering
- Communications and Network Engineering
- Signal Intelligence Systems
- Imagery Product and Sensor Engineering
- Geospatial Intelligence
- Aviation Engineering
- Nuclear Monitoring
- Acoustic Signal Processing
- Ocean Modeling and Prediction
- Video Display Technologies
- Identity Authentication and Fraud Investigation

Systems Engineering and Integration

SE&I is the core of Vencore's mission and expertise. Vencore's experience includes the successful design, architecting and operation of the most complex systems-of-systems supporting the defense market and Intelligence community. Vencore's principal SE&I capabilities include systems engineering, enterprise architecture, program management, software engineering and cloud engineering. Vencore also delivers test and evaluation capabilities used to assess systems before deployment; independent verification and validation capabilities used to verify that new systems operate as specified; and modeling, simulation, and analysis capabilities, which complement its SE&I expertise by predicting systems' performance and effectiveness at completing mission requirements.

Government systems are often very large and complex, and frequently rely on a network of disparate sub-systems. Managing these complexities is challenging and often drives the government customer to engage a private contractor to create a fully-integrated enterprise. Vencore provides customers with broad domain expertise to architect solutions to ensure full enterprise integration and interoperability. Vencore provides these services throughout the project lifecycle to ensure ongoing reliability and efficient management of these systems. These capabilities enable Vencore's customers to combine a variety of disparate IT systems and sub-systems into one cohesive and reliable enterprise. Vencore believes it successfully applies its SE&I capabilities across the major elements of intelligence community IT enterprise to achieve intelligence community cost efficiencies, enable data sharing and maximize discovery of joint intelligence to prevent future threats to our national security and commercial infrastructure. Vencore's SE&I services also include IT and cloud engineering, software engineering development and agile software development capabilities. Vencore's IT and cloud engineering capabilities include IT infrastructure design and development, cloud engineering and transition, network engineering and analysis and system performance forecasting. Vencore also offers a full suite of software solutions, which it applies on major programs including the U.S. Navy's Tomahawk program and multiple programs supporting GSA's Public Building Service. Vencore additionally develops operational mission software for the U.S. Air Force to support the detection, location and classification of nuclear detonations anywhere in the world, such as China, North Korea, Pakistan and India, to include below ground, in water, surface blasts, free-air and space.

In partnership with its customers, Vencore believes it has further extended its SE&I practices to address the shift from traditional software and systems development to agile methods. Agile software development focuses on breaking product development work into small increments that minimize the amount of up-front planning and design, increase the frequency of testing and deliver functional capability early and continuously. Traditional methods are limited in comparison, relying on fully specified systems that often take years to develop and require meticulous and extensive planning. Vencore's agile engineering practices are modeled on successful commercial practices, such as early and continual user involvement, shorter capability delivery times and continuous capability improvements. Vencore's ability to progressively design, test and apply solutions to emergent problems, in close collaboration with customer teams, results in effective, affordable and timely solutions.

Vencore believes it is a leader in enterprise-scale agile transformations, notably agile software development and agile SE&I capabilities. Vencore's agile capabilities support the key enterprise digital services transformation initiatives and positions Vencore to continue to provide solutions to its customers as they move

towards agile development to drive efficiency. For example, Vencore's DHS U.S. Citizenship and Immigration Services ("USCIS") JETS program includes agile software application modernization, testing, operational deployment, operations and maintenance of the USCIS Benefits Portfolio, which processes approximately 24,000 immigration benefit applications per day. As prime contractor, Vencore manages multiple modern agile teams in a team-based agile environment, applying its "agile with continuous delivery" blueprint adapted from commercial industry to increase capabilities and enable new immigration services.

Unlike the more commoditized Systems Engineering and Technical Assistance ("SETA") services that many U.S. government contractors provide, Vencore's SE&I capabilities focus on defining and developing end-to-end systems which rely on significant engineering content and technological expertise across the entire program lifecycle. Vencore's SE&I work involves architecting and integrating complex systems, software and infrastructure on an enterprise-wide basis. This differs from many SETA services, which typically focus only on individual tasks or fragments of programs aligned with individual government staff, and are often managed on an hourly basis rather than towards a broader mission outcome. Vencore believes SETA work is limited in scope and does not require the architecting of solutions that span the full breadth of the customer's enterprise. In contrast, Vencore's SE&I work typically includes responsibility for architecting, defining and engineering end-to-end systems based on operational needs and is focused on solutions-based outcomes, rather than individual tasks. As a result, Vencore typically serves as the prime contractor on its SE&I programs.

Cybersecurity

Incidents of cyber-attack have increased both in frequency and complexity, driving Vencore's government customers to assume a more proactive approach to understanding and managing their cyber vulnerabilities. Vencore's proven offerings in cybersecurity systems engineering and solutions help its customers implement appropriate cybersecurity processes, identify key vulnerabilities, take correct measures to mitigate risks, and have the tools to quickly respond to an attack.

Vencore's cybersecurity capabilities include continuous network monitoring solutions which assess and monitor vulnerabilities at critical points across an IT enterprise. Vencore's capabilities include forensics and analysis to rapidly detect malware incidents, mitigate and eradicate threats and return impacted systems to operation. Vencore also provides advanced research capabilities and agile solution development to deliver the tools required to respond to an increasingly complex cyber threat environment. Vencore's workforce is skilled in key cyber domains and certifications, and includes cyber software developers, vulnerability analysts, reverse engineers, malware / intrusion forensics analysts, policy experts and cyber systems engineers.

For its cybersecurity prime contracts, Vencore utilizes its institutional expertise and technologies in cyber domains to partner with its U.S. government customers to protect the entire network as opposed to individual components. Vencore's work on its larger cybersecurity prime contracts is similar to the SE&I prime contracts previously described. The "system" for Vencore's cybersecurity prime contracts consists of government information system environments. Furthermore, similar to Vencore's SE&I contracts for the intelligence community, Vencore's cybersecurity prime contracts are also enterprise-wide in scale and full-lifecycle in scope. For example, Vencore serves as the prime contractor for the DHS Network Security Deployment Support contract.

An example of a prime contract includes Vencore recently being awarded a prime position on the Mission Support ID/IQ contract with a ceiling value of \$460 million to provide cyber operations support and services to U.S. Cyber Command ("USCYBERCOM"). Vencore believes it was awarded this contract largely due to its cybersecurity expertise, deep familiarity with the USCYBERCOM mission, and applied research directly aligned to USCYBERCOM requirements. Pursuant to this contract, Vencore is responsible for a broad range of full spectrum cyber operations support activities to secure, operate and defend the DoD information network. Vencore was awarded the first task order on this contract in 2016, with the period of performance ending (including option years) on May 31, 2021 and a contract value of approximately \$89 million, after which time the contract may be extended and/or Vencore may bid for recompetition if the program continues.

Big Data Analytics

Vencore provides innovative and cost-effective solutions by applying a deep data analytics methodology that goes beyond traditional statistics or data mining. Vencore's innovative solutions combine advanced predictive analytical techniques, cutting-edge algorithms and machine learning techniques to efficiently analyze large amounts of unstructured data and helps its customers make critical decisions. Vencore also maintains the Vencore Analytic Platform which is composed of subject matter experts, proprietary tools and techniques managed to address specific customer needs. These solutions and tools allow Vencore to more effectively uncover patterns and extract the intelligence required to help its customers enhance readiness and achieve mission success. Vencore's solutions are typically deployed by its customers to identify threats, recommend areas of optimization, forecast multifaceted outcomes and mitigate risks. Vencore's innovative case management solutions use deep analytics, ongoing monitoring and leverage our highly-trained, on-the-ground network of experienced investigators who focus solely on background and identity authentication services to assist the U.S. government in making hiring and/or security clearance decisions. All U.S. government personnel are required to undergo a background investigation to satisfy strict suitability and security requirements. In total, there were approximately 1.3 million investigations processed for the U.S. government in 2016. Vencore is the largest provider by number of cases completed of identity authentication services for the U.S. government with a national footprint of investigators ready to be deployed across all 50 states and six U.S. territories.

Vencore's big data analytics capabilities rely on a multi-disciplinary approach including data, performance and intelligence analysis, precision communication analysis, system readiness analysis and training solutions. Working directly with raw data enables Vencore to identify actionable information, make defensible assumptions and support critical decision-making. Vencore utilizes advanced modeling, along with data mining and simulation techniques, to analyze large amounts of data to detect trends and predict future events.

An example of Vencore's big data analytics solutions around physical assets is its recently completed contract in which Vencore adapted analytic capabilities and expertise from its core intelligence community programs to identify potential international treaty violations in a conflict area. Vencore developed an analytic service to provide independent/unbiased observations of reported activities in the conflict area and then harvested and overlaid social media feeds using Vencore's open source collection platform, which was then analyzed by its regional analysts / experts to validate and give greater context to the reports. Over a period of four months, Vencore collected hundreds of potential incidents that were corroborated using a variety of sources. Vencore's analysis also identified instances of spoofing by our nation's adversaries, resulting in more accurate reporting and intelligence. The quality of Vencore's reports and other deliverables enabled its customer to provide intelligence consumers with more timely, accurate and actionable intelligence information.

Vencore's big data analytics capabilities for human resources rely on its national footprint of federally-cleared investigators, proprietary hiring and training program, sophisticated IT infrastructure and culture of quality assurance. These attributes provide Vencore with the efficiencies and economies of scale necessary to be consistently profitable under firm-fixed price ("FFP") contract terms. Vencore's investigators undergo a proprietary, internally developed training program that allows them to onboard in industry-leading time and produce quality fieldwork. Vencore also employs an Investigator Help Team that provides coverage support to the field staff and over 200 case reviewers that ensure integrity with all aspects of a completed case prior to submission to the relevant agency.

An example of Vencore's data analytics solutions around human resources is its recently awarded recompetes of the NBIB background investigation contract, a five-year, FFP ID/IQ contract between Vencore and three other contractors. All federal government personnel are required to undergo a background investigation to satisfy strict suitability and security requirements. In addition to investigations for newly hired applicants, existing personnel are required to undergo periodic reinvestigations every five years. NBIB is the federal agency responsible for recruiting, hiring procedures, and managing background and security clearance investigations for over 100 military and civilian federal agencies. NBIB handles approximately 90-95% of all federal background

investigations on behalf of agencies such as the DoD, VA, and DoE. Additionally, NBIB grants certain Intelligence Community and DHS agencies delegated authority (“Delegated Authority”) to conduct their own hiring examinations, which accounts for the remaining 5-10% of background investigations for the U.S. government. Vencore’s software provides a seamless interface between Vencore and NBIB and allows Vencore to manage internal investigator workflow, increase case capacity, and enhance overall efficiency. Vencore’s proprietary workflow systems allow us to automatically pull assignments from OPM systems, using algorithmic ranking to ensure efficient regional assignments and capacity utilization. Vencore has consistently delivered greater than 93% on NBIB’s quality metrics and achieved a 100% win rate on core sector RFPs since 2014.

Applied Research

Vencore’s applied research capabilities build upon its culture of technology innovation to help customers reframe information and technology-related problems, define their options, and deliver transformative results. In contrast to basic or exploratory research, the technologies and processes developed through Vencore’s applied research are principally focused on technologies with practical applications on the near-term horizon. Vencore’s solutions enable government agencies, utilities and commercial enterprises to develop and apply cutting-edge technologies in cybersecurity, wireless and optical communications, IT, mobility solutions and data analytics. Vencore believes that these capabilities provide it with near-term revenue opportunities and a meaningful advantage when competing for new business.

Vencore provides applied research, technical consulting and technology solutions to a diverse set of U.S. defense, space, federal civilian, intelligence community and commercial customers. Vencore manages projects through the full research development process, from proof of concept to prototyping, and Vencore believes it is well regarded for its ability to work on large-scale problems requiring deep industry expertise.

Vencore’s applied research expertise covers a broad range of critical, enabling technologies. Notable examples include wireless communications and technologies, including technologies to support the deployment of wireless communication in military environments; data analytics, including fast, multi-scale mathematical techniques, systems for extracting actionable intelligence, including data modeling, text and data analytics and statistical programming to provide rigorous advanced data analytics, monitoring and consulting services to the SEC; and cybersecurity and resiliency, including zero-day detection and malware elimination, insider threat detection, vulnerability and exploit assessment and analysis, network penetration testing and cloud migration, including the application of cybersecurity technologies to protecting smart grid networks.

Vencore’s applied research activities are driven by Vencore Labs, a research center within Vencore. Vencore Labs provides Vencore with the ability to develop some of the world’s most advanced technologies alongside its government and university partners and deploy these technologies not only into existing programs, but also in new applications and markets. The innovative research performed at Vencore Labs is largely customer-funded and augmented by Vencore’s internal R&D budget. The successful development of proprietary technologies for a particular customer or contract often can be leveraged across Vencore’s portfolio to capture new contract and commercialization opportunities.

Long Standing Relationships with Industry and Customers

For more than 40 years, Vencore has provided vital and differentiated engineering and integration services and solutions that allow the intelligence community, NASA, NBIB and other federal and civilian agencies to assess and solve increasingly complex challenges and threats. Vencore believes its expertise has broad applications across its customer base and places it at the core of its customers’ missions. Notable examples of Vencore’s services and solutions include:

- Supporting the U.S. national space system, including space-based intelligence platforms, as a SE&I prime contractor for over 40 years.

- Being a prime contractor for the U.S. Navy's Tomahawk program, responsible for developing and maintaining mission-critical software deployed across multiple shore and shipboard installations to ensure successful Tomahawk missions.
- Being the prime SE&I contractor responsible for architecting and securing both the federal civilian government (.GOV) and DoD military (.MIL) IT infrastructures from advanced cyber threats for the DHS and DoD.
- Developing technologies for DARPA and commercial customers for the detection of and response to cyberattacks on critical U.S. infrastructure, including the North American power grid, and distributed denial of service attacks enabled by increasingly prolific Internet-of-Things devices.
- Maintaining a high-quality, well-trained network of experienced investigators with a culture of integrity to conduct background investigations for NBIB and other government agencies with an unrivaled footprint providing coverage across the United States and its territories.

Vencore serves as the prime contractor on 90% of its work, as measured by annual revenue. Vencore believes the sensitivity and complexity of its work, its unique mission understanding, and proprietary processes and tools developed over decades-long support of its customers' missions make it difficult for Vencore's competitors to displace it. This is evidenced by Vencore's 97% historical re-compete win rate and an average award fee score of 93% since 2011. In addition, Vencore has longstanding relationships with its customers, with relationships with certain key customers spanning over 40 years. Notably, Vencore has supported the National Reconnaissance Office ("NRO") and NASA for over 40 years, the National Geospatial-Intelligence Agency ("NGA") for over 30 years, the NSA, U.S. Navy, U.S. Army and DARPA for over 20 years and the NBIB for over 13 years.

Vencore's Markets

Vencore primarily serves the intelligence, defense, space, federal civilian and commercial markets. Vencore defines these markets primarily by the mission focus areas and funding sources of its end-customers. Across these markets, Vencore's primary customer in aggregate is the U.S. government, which comprised substantially all of Vencore's revenue for the year ended December, 2017. The U.S. government is the largest consumer of information and technology services in the United States, and the DoD is the largest consumer within the U.S. government. Vencore believes it is well-positioned to benefit from an improving outlook across each of its core markets. Since U.S. fiscal 2011, the U.S. government has spent an average of approximately \$79 billion annually on information and technology services and is expected to spend \$86.4 billion in U.S. fiscal 2018, according to the government-wide IT budget provided by IT Dashboard.

Within Vencore's core markets, spending in certain key technology areas is projected by industry sources to exceed broader U.S. government budget growth. In particular, spending for federal cybersecurity, cloud computing and migration and big data analytics is forecasted to grow by a compound annual growth rate of 5%, 15%, and 13%, respectively, through 2021, according to Deltek GovWin. Vencore believes it possesses differentiated capabilities that are strategically aligned with these key areas of U.S. government budgetary focus. Vencore believes the continued adoption of these technologies, coupled with the U.S. government's desire for increased innovation, creates attractive growth opportunities for Vencore's business within its core markets.

Intelligence

The U.S. intelligence market is typically defined as a coalition of 17 agencies and organizations, including the Office of the Director of National Intelligence, that make up the intelligence community. These agencies are funded by the National Intelligence Program ("NIP") and Military Intelligence Program ("MIP") budgets. The U.S. fiscal 2018 budget request includes \$57.7 billion for NIP and \$20.7 billion for MIP, an aggregated of \$78.4 billion, up from \$73.0 billion in U.S. fiscal 2017 according to the Office of the Director of National Intelligence.

The intelligence community is responsible for protecting the country from terrorism, arms proliferation, chemical and biological warfare, cyber-attack and foreign intelligence operatives. Improving collection, analysis and dissemination capabilities is essential to national intelligence, policy and military operations. To achieve its mission, the intelligence community must operate systems that are extremely large in scale, have high technical complexity and depend on a disparate suite of IT systems. Budget priorities in the intelligence community highlight the U.S. government's focus on innovation and keeping pace with the complex, rapidly changing technological environment and the evolving nature of the threats to our national security. As such, Vencore believes intelligence community spending will emphasize space systems and payloads, increased intelligence sharing, investments in enterprise-wide capabilities, increased migration to cloud architectures and modernization of legacy systems to improve efficiency and information security. These are all capability areas where Vencore believes it has strong expertise.

The complex, disparate nature of space-based and ground-based national security and intelligence platforms requires sophisticated architecting and integration support systems. As a result, these agencies frequently rely on contractors for full lifecycle SE&I and mission support. We believe the Intelligence Community's prioritization of technological innovation places Vencore in alignment with key funding priorities where it can apply technical expertise in areas such as space protection, communications and network engineering, cloud engineering, space and satellite engineering, cyber threat analysis, vulnerability assessment and forensic analysis.

Defense

The defense market for Vencore's services is comprised of U.S. government defense agencies within the DoD that rely on large and complex systems that span multiple agencies, programs and missions. In U.S. fiscal 2017, the overall DoD base budget was \$523.5 billion, according to the Office of the Under Secretary of Defense, with \$31.5 billion allocated to IT systems procurement, according to the DoD budget provided by IT Dashboard. Under the new administration, Vencore believes the defense budget outlook has improved meaningfully, as Vencore expects the new administration to increase defense spending relative to prior years and eliminate sequester caps.

The challenges facing the United States are rapidly evolving and growing in complexity. The focus of U.S. defense spending continues to shift toward a more capabilities-based structure emphasizing improved flexibility and mobility, stronger space capabilities, enhanced missile defense and improved information systems capability. These shifts reflect the changing nature of the conflicts that the U.S. faces and highlight the need for the U.S. government to develop its cyber, special operations and precision strike capabilities. The DoD's latest cyber strategy, released in April 2015, highlighted three primary missions: defend DoD networks, systems and information; defend the U.S. homeland and national interests against cyberattacks and their consequences; and provide cyber support to military operational and contingency planners. Meeting the requirements of the new strategic guidance entails increasing funding for key investments in the areas of cyber, information systems and technology.

Vencore believes its capabilities in the defense market positions Vencore well to help the DoD implement this strategy. Vencore solutions span a wide spectrum of innovative technologies, most notably software design and development for cloud and mobile; network engineering and optimization; cybersecurity system engineering and architecture; and modeling, simulation and training. As a result of Vencore's wide variety of solutions, it provides services to a variety of agencies within the DoD, with some of Vencore's customer relationships spanning more than 20 years.

Space

The space market is comprised of space-related U.S. government agencies, most notably NASA, the NRO, NOAA and the DoD. Demand for these services is driven primarily by NASA's budget and the space-related DoD budget. NASA has a \$19.5 billion budget in U.S. fiscal 2018, of which \$9.9 billion was allocated towards

U.S. human exploration operations, according to NASA. The new administration has called for an increased focus on missile defense initiatives and manned spaceflight and human space exploration positions. The trend toward privatization of launch services also provides Vencore with opportunities for future growth. Vencore believes it is well-positioned in the space market given Vencore's existing space engineering expertise. Vencore's space-related solutions include providing end-to-end SE&I and mission support services for space-based and ground-based national security and intelligence systems. Key capabilities include mission-facing SE&I and end-to-end enterprise architecture. In addition, Vencore offers solutions that allow customers to conduct pre-mortem analysis, including independent verification, validation, advanced modeling, simulation and analysis. Vencore's technical domains include ground processing and equipment, launch support, command and control, safety and mission assurance, space vehicle engineering, satellite navigation and geolocation, and communications systems. In addition, we work with our customers to support geospatial and signals intelligence.

Vencore maintains relationships with many of the largest space-related agencies within the U.S. government, including the NOAA, the NRO, NASA and the Air Force Space and Missile Systems Center. Vencore's largest space customer for the year ended December 31, 2017 was NASA, which Vencore has supported for over 40 years.

Federal Civilian

Vencore is actively engaged in providing highly complex, mission-critical services to a large number of the U.S. government's key federal civilian agencies, including, the Department of Justice ("DoJ"), NBIB, the GSA, the SEC, the Department of Treasury and the Federal Aviation Administration ("FAA"). In the federal civilian market, demand for Vencore's services is driven by the budgets of its customers. Vencore's largest federal civilian customer is the DHS. In U.S. fiscal 2017, the DHS enacted a \$42 billion budget, according to the DHS 2019 Budget-in-Brief, of which approximately \$6.8 billion was spent on IT, according to the DHS IT budget provided by IT Dashboard. The DHS budget for U.S. fiscal 2018 includes approximately \$279 million to strengthen the operational security of federal .GOV networks according to the DHS 2018 Budget-in-Brief. Additionally, the U.S. fiscal 2018 budget proposed approximately \$397 million for the National Cybersecurity Protection System, commonly referred to as EINSTEIN, to prevent intrusions, enhance information sharing and improve analytical capabilities to secure the federal civilian IT enterprise according to the DHS 2018 Budget-in-Brief. As the prime SE&I lead for the National Cybersecurity Protection System, Vencore is well-positioned to benefit as the DHS continues to focus on enhancing its cybersecurity capabilities.

Across the federal civilian market, agencies' vast troves of highly sensitive data and sprawling network of potentially vulnerable IT systems make them a frequent target of intrusions and attacks. As such, federal civilian agencies are increasingly relying on contractors to architect and integrate comprehensive cybersecurity solutions to protect critical infrastructure and complex information networks. Additionally, federal civilian agencies are increasingly focused on streamlining costs and improving IT efficiency through agile software development methodologies. Vencore's key areas of expertise in cybersecurity, agile software development, data analytics and other innovation- and efficiency-driven solutions are well-positioned to benefit from these secular trends and focus areas projected to experience outsized spending growth.

Competition

The U.S. government engineering, technology and identity authentication services industries consists of a large number of enterprises ranging from small, niche-oriented companies to multi-billion dollar corporations that serve many U.S. government customers. Vencore frequently competes against well-known firms in the industry as a prime contractor. Vencore's main competitors are U.S. federal systems integrators and service providers such as Leidos, Science Applications International, Booz Allen Hamilton, CACI International, CSRA, Engility, ManTech International and Securitas. Some of these companies have greater resources and larger customer bases than Vencore.

Employees

As of December 31, 2017, Vencore had approximately 5,800 employees, and approximately 58% held a Bachelor's degree and 32% held advanced degrees in a variety of technical disciplines, with many holding additional industry and/or technical certifications in key skill areas such as cybersecurity, agile software development, systems engineering, program management and lean six sigma. As of December 31, 2017, 53% of Vencore's employees held security clearances and 68% of Vencore's employees with security clearances held a Top Secret / Sensitive Compartmented Information-level clearance, which typically requires the completion of a polygraph. In addition, Vencore's senior leadership has an average of over 20 years of experience in relevant industries or roles. Vencore believes that its employee relations are satisfactory.

Intellectual Property

Vencore Labs serves as the innovation engine for Vencore and provides unique IP and technology development capabilities. These tools have been developed over decades of solving the most challenging problems for our customers. The innovative R&D conducted at Vencore Labs, much of which is funded by our customers, provides us with opportunities to further penetrate existing customers and pursue new business in adjacent markets.

As of December 31, 2017, Vencore's IP portfolio included over 260 issued patents and pending patent applications, owned or licensed by Vencore. The patents and patent applications Vencore licenses are subject to a licensing agreement pursuant to which Vencore owns royalty-free, fully paid-up, worldwide, irrevocable licenses to certain patents that it uses in the operation of Vencore's business that were retained by the seller in connection with Vencore's acquisition of Vencore Labs. Aside from patents and patent applications, Vencore also maintains a rich portfolio of other IP derived from customer investments in its programs and augmented by its own internal R&D initiatives. Vencore derived approximately \$71 million and \$82 million of customer investment from Vencore Labs programs for the years ended December 31, 2016 and December 31, 2017, respectively. Vencore also maintains a number of trade secrets that it endeavors to protect to ensure their continuing availability. Vencore's proprietary processes and IP are vital to its growth strategy, and Vencore believes they are a core competitive advantage.

Vencore relies upon a combination of nondisclosure agreements and other contractual arrangements, as well as copyright, trademark, patent and trade secret laws to protect its proprietary information. Vencore also enters into proprietary information and IP agreements with employees, which require them to disclose any inventions created during employment, to convey such rights to inventions to Vencore and to restrict any disclosure of proprietary information. While protecting trade secrets and proprietary information is important, Vencore is not materially dependent on maintenance of any specific trade secret or group of trade secrets.

During the normal course of business, Vencore performs R&D and technology consulting services and related products in support of its customers. Typically these services do not depend on patent protection. In accordance with applicable law, Vencore's U.S. government contracts often provide government agencies certain license rights to its inventions, copyrights and other IP. U.S. government agencies may in turn sublicense to other contractors (including Vencore's competitors) the right to utilize Vencore's IP. In addition, in the case of Vencore's work as a subcontractor, the prime contractor may also have certain rights to data, information and products Vencore develops under the subcontract. At the same time, Vencore's U.S. government contracts often license to it patents, copyrights and other IP owned by third parties.

Research and Development

To maintain Vencore's growth and competitiveness, it engages in an active R&D program through Vencore Labs focusing on technology development and innovation. The R&D activities at Vencore Labs are funded by both customer (notably DARPA, the intelligence community and DoD Research Labs) and internal R&D

budgets. For the years ended December 31, 2014, 2015, 2016 and 2017, \$61 million, \$65 million, \$71 million and \$82 million of Vencore's R&D spend was funded by Vencore Labs customers, respectively. Vencore's ability to use this funding to develop customer-requested technologies and subsequently apply them across its other businesses serves as a key competitive advantage for Vencore and is vital to its future growth strategy.

Seasonality

Vencore's results may be affected by variances as a result of seasonality Vencore experiences across its business. This pattern is typically driven by the U.S. fiscal year-end, September 30. While not certain, it is not uncommon for U.S. government agencies to award extra tasks or complete other contract actions in the weeks before the end of the U.S. fiscal year in order to avoid the loss of unexpended fiscal year funds. In addition, Vencore has also historically experienced higher bid and proposal costs in the months leading up to the U.S. fiscal year-end as it pursues new contract opportunities expected to be awarded early in the following U.S. fiscal year as a result of funding appropriated for that U.S. fiscal year. Vencore may continue to experience this seasonality in future periods, and its results of operations may be affected by it.

Properties

Vencore's headquarters are located in Chantilly, Virginia, where it leases approximately 283,100 square feet of space. As of December 31, 2017, Vencore leased 36 commercial facilities (including its headquarters) with an aggregate of approximately 1.1 million square feet of space across 14 states used in connection with the various services rendered to its customers. Vencore's principal locations outside of Chantilly, Virginia are: Huntsville, Alabama; Loveland, Colorado; Laurel, Maryland; King of Prussia, Pennsylvania; Slippery Rock, Pennsylvania; Herndon, Virginia; and Reston, Virginia. Additionally, across nine facilities Vencore has an aggregate of approximately 336,300 square feet of customer-accredited Sensitive Compartmented Information Facilities, which are highly-specialized, secure facilities used to perform classified work for the IC. Vencore also has employees working at customer sites throughout the U.S. and in other countries.

Legal Proceedings

Vencore's performance under its U.S. government contracts and its compliance with the terms of those contracts and applicable laws and regulations are subject to continuous audit, review and investigation by the U.S. government. In addition, Vencore is from time to time involved in legal proceedings and investigations arising in the ordinary course of business, including those relating to employment matters, relationships with customers and contractors, IP disputes and other business matters. Although the outcome of any such matter is inherently uncertain and may be materially adverse, based on current information, Vencore's management does not expect any of the currently ongoing matters to have a material adverse effect on Vencore's financial condition or results of operations.

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

The following discussion and analysis is intended to help prospective investors understand the USPS business, financial condition, results of operations, liquidity and capital resources. You should read this discussion in conjunction with the USPS combined financial statements and related notes thereto included elsewhere in this Information Statement.

The statements in this discussion regarding industry outlook, expectations regarding the USPS future performance, liquidity and capital resources and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Risk Factors" and "Special Note Regarding Forward-Looking Statements." Actual results may differ materially from those contained in any forward-looking statements.

The USPS Combined Financial Statements and unaudited Interim Condensed Combined Financial Statements, discussed below, reflect the USPS financial condition, results of operations, and cash flows. The financial information discussed below and included in this Information Statement, however, may not necessarily reflect what the USPS financial condition, results of operations, or cash flows would have been had USPS been operated as a separate, independent entity during the periods presented, or what the USPS financial condition, results of operations, and cash flows may be in the future.

Basis of Presentation

The USPS Combined Financial Statements and unaudited Interim Condensed Combined Financial Statements included in this Information Statement have been derived from the combined and consolidated financial statements and accounting records of DXC (the "Parent") as if USPS operated on a standalone basis during the periods presented and were prepared in accordance with GAAP. Additionally, on April 1, 2017, CSC, HPE, Everett and Merger Sub, completed the strategic combination of CSC with HPES to form DXC (the "DXC Merger"). At the time of the DXC Merger, Everett was renamed DXC, and as a result of the DXC Merger, CSC became a direct wholly owned subsidiary of DXC. The transaction was determined to be a reverse merger and CSC was determined to be the accounting acquirer of DXC. Therefore, for accounting purposes DXC, and in turn USPS, was subject to purchase price allocation adjustments as of April 1, 2017. These adjustments are reflected in the post-DXC Merger period results for USPS, therefore, post- DXC Merger period results for USPS are not comparable to pre- DXC Merger results. Additionally, as described in more detail in Note 2 to the USPS unaudited interim condensed combined financial statements for the nine month period ended December 31, 2017, the amount of such purchase price allocation adjustments are subject to revision for up to one year from the acquisition date; such revisions may result in further changes to the fair values allocated to various assets and liabilities as of April 1, 2017, including, but not limited to, property and equipment and other assets as well as related depreciation and amortization expense (and corresponding changes to income before taxes, income tax benefit and net income) for the nine months ended December 31, 2017.

The USPS Combined Statements of Operations and unaudited Interim Condensed Combined Statements of Operations reflect allocations of general corporate expenses from the DXC including, but not limited to, senior management, legal, human resources, finance, IT and other shared services. These have been allocated to USPS based on direct usage or benefit where identifiable, with the remainder allocated on a pro rata basis of revenue, headcount, square footage, number of transactions or other measures. USPS considers these allocations to be a reasonable reflection of the utilization of services by, or the benefits provided to, us. The allocations may not be indicative of the actual expense that USPS would have incurred as an independent, standalone company for the periods presented. The USPS Combined Balance Sheets and unaudited Interim Condensed Combined Balance Sheets of USPS include DXC assets and liabilities that are specifically identifiable or otherwise attributable to us. DXC's cash has not been assigned to us for any of the periods presented because those cash balances are not directly attributable to us. USPS reflects transfers of cash to and from DXC's cash management system as a

component of net Parent investment on the USPS Combined Balance Sheets and unaudited Condensed Combined Balance Sheets. DXC's long-term debt, other than capital lease obligations, has not been attributed to us for any of the periods presented because DXC's borrowings are neither directly attributable to us, nor is USPS the legal obligor of such borrowings. DXC maintains various benefit and share-based compensation plans at a corporate level and other benefit plans at a subsidiary level. The USPS employees participate in those programs and a portion of the cost of those plans is included in the USPS Combined Financial Statements and unaudited Condensed Combined Financial Statements included elsewhere in this Information Statement. However, the USPS Combined Balance Sheets and unaudited Condensed Combined Balance Sheets do not include any net benefit plan obligations unless the benefit plan covers only active, retired and other former employees or any equity related to share-based compensation plans.

Certain USPS consulting activities were historically conducted pursuant to contracts with USPS's former parent, HPE, rather than USPS or its subsidiaries. Because those contracts were not novated to USPS until after October 31, 2016, no information regarding USPS consulting activities performed pursuant to those contracts has been presented in USPS's results of operations for the annual periods ending October 31, 2014, 2015 or 2016 and only a portion of the revenues associated with those contracts is presented in USPS's results of operations above for the five month period ended March 31, 2017. Periods subsequent to March 31, 2017 reflect all of the USPS consulting activities performed pursuant to those contracts in USPS's results of operations. For comparability purposes, the revenue and income before taxes related to these contracts not reflected in our results of operations for the periods referenced above are set forth below:

(in millions)	Year Ended			Five Months Ended	Nine Months Ended
	October 31, 2014	October 31, 2015	October 31, 2016	March 31, 2017	October, 31 2016
Revenue	\$154	\$141	\$136	\$10	\$104
Income before taxes	\$ 31	\$ 39	\$ 42	\$ 3	\$ 33

Overview

USPS is a leading provider of end-to-end enterprise IT services to government customers across U.S. federal, state and local markets. Using its market-leading enterprise offerings and solutions, USPS helps its government customers implement modern collaborative workplaces, hybrid cloud platforms and integrated digital systems of engagement with their enterprise management systems. By delivering these modern enterprise solutions, often while ensuring interoperability with mission critical legacy systems, USPS believes it has helped its government customers better realize the benefits of technology, which will ultimately enable them to fulfill their mission objectives and achieve business outcomes.

In addition to providing substantial benefits through increased efficiencies and capabilities, USPS believes demand for its services is also driven by the technological advances that already reinvented commercial industries, which are now exerting a similar evolutionary effect on government customers. In response to these pressures, USPS believes modern governments customers are increasingly turning to outside partners, such as USPS, to help guide them through this digital transformation.

USPS believes its breadth of contracts and customers in the U.S. government, and its longstanding history of having partnered with its public sector customers for more than 50 years, provides it with a competitive advantage. For example, USPS has existing contracts with a range of public sector entities ranging from Veteran Affairs, to the United States Postal Service, NASA, the U.S. Food and Drug Administration and the large state and local government customers such as the county of San Diego, California. Based on this breadth of experience and its expertise, USPS believes it is well positioned to help its U.S. government customers continue their ongoing digital transformation journey all the while addressing real business needs.

Factors and Trends Affecting the USPS Results of Operations

Revenue Generation

Revenue is generated by providing services on a variety of contract types which vary in duration from as little as six months to more than ten years. Factors affecting revenue include USPS's ability to successfully:

- bid on and win new contract awards;
- satisfy existing customers and obtain add-on business and win contract recompetes;
- compete on services offered, delivery models offered, technical ability and innovation, quality, flexibility, experience, and results created; and
- identify and integrate acquisitions and leverage them to generate new revenues.

Earnings are impacted by the above revenue factors and, in addition, the USPS ability to:

- integrate acquisitions and eliminate redundant costs;
- control costs, particularly labor costs, subcontractor expenses, and overhead costs including healthcare, pension and general and administrative costs;
- anticipate talent needs to avoid staff shortages or excesses;
- accurately estimate various factors incorporated in contract bids and proposals; and

Competitive Markets

USPS believes that it is well positioned to take advantage of the markets in which it operates because of USPS's expertise and specialization. The USPS ability to effectively manage project engagements, including logistics, client requirements, engineering resources and service levels, will affect its financial performance. Increased competition from other government contractors and market entrants seeking to take advantage of certain industry trends may result in the emergence of companies that are better able to compete against USPS.

Regulations

Increased audit, review, investigation and general scrutiny by U.S. government agencies of government contractors' performance under U.S. government contracts and compliance with the terms of those contracts and applicable laws could affect USPS's operating results. Negative publicity and increased scrutiny of government contractors in general, including USPS relating to U.S. government expenditures for contractor services and incidents involving the mishandling of sensitive or classified information as well as the increasingly complex requirements of the DoD and the Intelligence Community, including those related to cybersecurity, managing federal health care cost growth and focus on reforming existing government regulation of various sectors of the economy, such as financial regulation and healthcare, could impact USPS's ability to perform in the marketplace.

Seasonality

USPS generally experiences increased bid and proposal costs in the months leading up to the U.S. federal government's fiscal year end, which occurs September 30. As a result of this timing, USPS costs tend to be higher in its first quarter and its revenue tends to be higher in its second quarter, as compared to other periods during USPS's fiscal year. In addition, it is not uncommon for U.S. federal government agencies to award extra tasks or complete other contract actions in the weeks leading up to the end of its fiscal year, which occurs on September 30, in order to avoid the loss of unexpended fiscal year funds. In addition to experiencing seasonality affects due to the timing of the U.S. federal government fiscal year, USPS also experiences some seasonality affects from the timing of the fiscal year end close for state and local governments, which is in many instances are different than the U.S. federal government fiscal year end.

Cash Flows

Cash flows are affected by the above earnings factors and, in addition, by the following factors:

- the ability to efficiently manage capital resources and expenditures;
- timely management of receivables and payables;
- investment opportunities available, particularly related to business acquisitions and implementations, dispositions and large outsourcing contracts; and
- tax obligations.

Key Performance Indicators

USPS manages and assesses the performance of the USPS business through various means, with the primary financial measures including new contract wins, revenue and Adjusted EBITDA.

New contract wins—In addition to being a primary driver of future revenue, new contract wins also provide management an assessment of USPS's ability to compete. The total level of wins tends to fluctuate from year to year depending on the timing of new or recompleted contracts, as well as numerous external factors.

Revenue—Revenue is a product of contracts won in prior periods, and work secured in the current year. Year-over-year revenues tend to vary less than new contract wins, and reflect performance on both new and existing contracts.

Adjusted EBITDA—Adjusted EBITDA is a non-GAAP measure that USPS uses to evaluate financial performance and is one of the measures used in assessing management performance. USPS believes that this non-GAAP financial measure provides useful information to investors regarding the USPS results of operations as it provides another measure of USPS's profitability, its ability to service the planned debt, and is considered an important measure by financial analysts covering the USPS industry.

Economic and Industry Factors

USPS's results of operations are impacted by economic conditions generally including macroeconomic conditions. USPS is monitoring current macroeconomic and credit market conditions and levels of business confidence and their potential effect on USPS's customers and on USPS itself. A severe and/or prolonged economic downturn could adversely affect the USPS customers' financial condition and the levels of business activities in the industries and geographies in which USPS operates. Such a downturn may reduce demand for USPS's services or depress pricing of those services and have a material adverse effect on the USPS new contract bookings and results of operations. Particularly in light of recent economic uncertainty, USPS continues to monitor costs closely in order to respond to changing conditions and to manage any impact to the USPS results of operations. The USPS results of operations are also affected by the evolving priorities of the U.S. federal government, as well as by the pace of technological change and the type and level of technology spending by USPS's customers. The ability to identify and capitalize on these markets and technological changes early in their cycles is a key driver of our performance.

USPS sees potential for positive developments in the federal government budget for GFY 2018. USPS is also experiencing an increased number of requests to extend the period of performance for USPS's largest and most complex IT contracts, are observing increased procurement activity across the U.S. federal government and expect to see adjudications increase. USPS expects another threatened government shut down by Congress and the passage of a series of continuing resolutions to keep the U.S. federal government funded, with the possibility that Congress will ultimately pass a full year continuing resolution. In the event Congress passes a full year continuing resolution, USPS would expect this to support USPS's initiative to extend the period of performance for its largest and most complex IT contracts.

Revenues are driven by USPS's ability to secure new contracts and to deliver solutions and services that add value to its customers. USPS's ability to add value to customers, and therefore generate revenues, depends in part on its ability to deliver market-leading service offerings and to deploy skilled teams of professionals quickly across all government industries and domains. USPS's market is highly competitive and has characteristics unique to the federal contracting environment. Almost all of USPS's U.S. federal government contracts and subcontracts may be modified, curtailed, or terminated either at the convenience of the government or for default based on factors set forth in the FAR. Upon termination for convenience of a fixed-price type contract, USPS's U.S. federal government contracts normally entitle us to receive the purchase price for delivered items, reimbursement for contractual commitments and allowable costs for work-in-process, and a reasonable allowance for profit, although there can also be financial impact resulting from the negotiated contract settlement. Upon termination for convenience of a U.S. federal government cost reimbursable or time and material contract, USPS normally is entitled to reimbursement of allowable costs plus a fee. Allowable costs generally include the cost to terminate agreements with suppliers and subcontractors.

The amount of the fee recovered, if any, generally is related to the portion of the work completed prior to termination and is determined by negotiation (see "Risk Factors" section). If contracts are lost through the competitive bid process, USPS's operating results may differ materially and adversely from those anticipated. Finally, shifting U.S. federal government priorities can also impact the future of projects. Management monitors U.S. federal government priorities and industry factors through numerous industry and government publications and forecasts, legislative activity, budgeting and appropriation processes, and by participating in industry professional associations in order to anticipate these shifting priorities.

Results of Operations

Nine Months Ended December 31, 2017 Compared to the Nine Months Ended October 31, 2016

(in millions)	Successor	Predecessor	Change	
	Nine months Ended	Nine months Ended		
	December 31, 2017	October 31, 2016	\$	%
Revenues	\$2,104	\$2,103	\$ 1	0%
Costs of services	1,632	1,599	33	2%
Selling, general and administrative	132	158	(26)	(16)%
Depreciation and amortization	116	167	(51)	(31)%
Restructuring costs	10	17	(7)	(41)%
Separation costs	44	29	15	52%
Interest expense	7	27	(20)	(74)%
Interest income	—	(4)	4	(100)%
Total costs and expenses	1,941	1,993	(52)	(3)%
Income before taxes	163	110	53	48%
Provision for taxes	(13)	42	(55)	(131)%
Net income	\$ 176	\$ 68	\$108	159%

Revenues

The USPS revenues for the nine months ended December 31, 2017 increased by \$1 million or 0% as compared to the nine months ended October 31, 2016. USPS revenues for the nine months ended December 31, 2017, as compared to October 31, 2016, were impacted by the exclusion of certain USPS consulting activities historically conducted pursuant to contracts with USPS's former parent, HPE, rather than USPS or its subsidiaries. Because those contracts were not novated to USPS until after October 31, 2016, no information regarding USPS consulting

activities performed pursuant to those contracts has been presented in USPS's results of operations for the nine months ended October 31, 2016. The exclusion of these activities in the prior year was largely offset by a contract reset that resulted in a one-time revenue increase in the prior year period.

Costs of services

Costs of services for the nine months ended December 31, 2017 increased by \$33 million or 2%, representing an increase of 2% on a percentage of revenue basis, as compared to the nine months ended October 31, 2016. The increase is due to the exclusion of certain USPS consulting activities that were historically conducted pursuant to contracts with USPS' former parent, HPE, rather than USPS or its subsidiaries. Because those contracts were not novated to USPS until after October 31, 2016, no information regarding USPS consulting activities performed pursuant to those contracts has been presented in USPS's results of operations for the nine months ended October 31, 2016. The exclusion of these activities in the prior year was largely offset by a contract reset that resulted in a one-time cost increase in the prior year period.

Selling, general and administrative

Selling, general and administrative expenses for the nine months ended December 31, 2017 decreased by \$26 million or 16%, representing a decrease of 1% on a percentage of revenue basis as compared to the nine months ended October 31, 2016. The decrease was largely driven by efficiencies gained as a result of USPS's implementation of certain strategic measures to improve efficiencies in an effort to reduce expenses.

Depreciation and amortization

Depreciation and amortization for the nine months ended December 31, 2017 decreased by \$51 million or 31% as compared to the nine months ended October 31, 2016. The decrease is driven by the step down of property and equipment to fair value in connection with the DXC Merger.

Restructuring Costs

Restructuring costs for the for the nine months ended December 31, 2017 decreased by \$7 million or 41% as compared to the nine months ended October 31, 2016. Restructuring costs incurred in the nine months ended December 31, 2017 are associated with the fiscal 2018 restructuring plan while costs incurred in the nine months ended October 31, 2016 relate to the fiscal 2015 restructuring plan.

Separation Costs

Separation costs for the nine months ended December 31, 2017 increased by \$15 million or 52% as compared to the nine months ended October 31, 2016 and were associated with expenses incurred for the Everett transaction and the USPS separation from DXC.

Interest expense

Interest expense for the nine months ended December 31, 2017 decreased by \$20 million or 74% as compared to the nine months ended October 31, 2016. The decrease is attributed to lower capital lease liability balances in the period.

Interest Income

Interest income for the nine months ended December 31, 2017 decreased by \$4 million or 100% as compared to the nine months ended October 31, 2016. The decrease is attributed to lower net lease rental income earned in the period.

Five- Months Ended March 31, 2017

(in millions)	<u>Five Months Ended March 31, 2017</u>	<u>Percentage of Revenue</u>
Net revenue	\$1,073	100%
Costs and expenses:		
Costs of services	820	76%
Selling, general and administrative	77	7%
Depreciation and amortization	73	7%
Separation costs	34	3%
Interest expense	10	1%
Total costs and expenses	1,014	95%
Income before taxes	59	5%
Provision for taxes	23	2%
Net income	<u>\$ 36</u>	<u>3%</u>

Revenues

The USPS revenues for the five-month period ended March 31, 2017 was \$1,073 million and was consistent with revenues earned in the year ended October 31, 2016.

Costs of services

Costs of services for the five-month period ended March 31, 2017 was \$820 million and represented 76% of revenues, maintaining overall consistency, on a percentage of revenue basis, with the year ended October 31, 2016.

Selling, general and administrative

Selling, general and administrative expenses for the five-month period ended March 31, 2017 was \$77 million and represented 7% of revenues, maintaining overall consistency on a percentage of revenue basis with the year ended October 31, 2016.

Depreciation and amortization

Depreciation and amortization for the five-month period ended March 31, 2017 was \$73 million and represented 7% of revenues, a decrease, on a percentage of revenue basis, from the year ended October 31, 2016, which was largely driven by reductions in property and equipment balances in the period.

Separation Costs

Separation costs for the five-month period ended March 31, 2017 was \$34 million and represented 3% of revenues. Separation costs were associated with expenses incurred in connection with the Everett transaction.

Interest expense

Interest expense for the five-months ended March 31, 2017 was \$10 million and was attributed to interest associated with capital lease obligations.

Interest income

No interest income was earned in the five-months ended March 31, 2017.

Comparisons of Fiscal Years Ended October 31, 2016 and 2015

(in millions)	Fiscal Years Ended		Change	
	October 31, 2016	October 31, 2015	\$	%
Revenues	\$2,732	\$2,585	\$147	6 %
Costs of services	2,086	2,101	(15)	(1)%
Selling, general and administrative	207	242	(35)	(14)%
Depreciation and amortization	225	214	11	5 %
Restructuring costs	20	22	(2)	(9)%
Separation costs	34	28	6	21 %
Interest expense	36	33	3	9 %
Interest income	(5)	(4)	(1)	25 %
Total costs and expenses	2,603	2,636	(33)	(1)%
Income (loss) before taxes	129	(51)	180	NM
Provision (benefit) for taxes	49	(22)	71	NM
Net income (loss)	80	(29)	109	NM

Revenues

The USPS total revenue for the year ended October 31, 2016 increased by \$147 million or 6% as compared to the same period in the prior year. The \$147 million increase in revenues for the year ended October 31, 2016 was primarily due to an increase of \$41 million in revenues from new business and \$133 million associated with a major contract renegotiation that resulted in the recognition of revenues that had been previously deferred. These increases were partially offset by contracts that concluded or were renewed at a lower rate.

Costs of services

Costs of services for the year ended October 31, 2016 decreased by \$15 million or 1% as compared to the same period in the prior year. The decrease was mainly driven by labor and non-labor efficiency actions taken across multiple clients and programs associated with the Company's restructuring programs (see Note 2 – "Restructuring").

Selling, general and administrative

Selling, general and administrative expenses for the year ended October 31, 2016 decreased by \$35 million or 14% as compared to the same period in the prior year. The decrease was mainly driven by USPS's implementation during the year of certain strategic measures to improve efficiencies in an effort to reduce expenses.

Depreciation and amortization

Depreciation and amortization expenses for the year ended October 31, 2016 increased by \$11 million or 5% as compared to the same period in the prior year. The increase was mainly driven by acquisitions of property and equipment through capital leases during the year.

Restructuring costs

Restructuring costs for the year ended October 31, 2016 remained consistent with the prior year, with a decrease of \$2 million or 9% as compared to the same period in the prior year. Restructuring costs incurred in fiscal year 2016 are associated with employee severance and infrastructure charges recognized during the year associated with the fiscal 2015 restructuring plan (see Note 2—"Restructuring").

Separation Costs

Separation costs for the year ended October 31, 2016 increased by \$6 million or 21% as compared to the same period in the prior year. Separation costs incurred in fiscal 2016 and 2015 were mainly associated with the separation of HPE from HP Inc. in early 2016.

Interest expense

Interest expense for the year ended October 31, 2016 increased by \$3 million or 9% as compared to the same period in the prior year. USPS's interest expense results from capital lease obligations, which remained at similar levels year over year.

Interest income

Interest income for the year ended October 31, 2016 remained consistent with the prior year, representing an increase of \$1 million. Interest income recognized during the year is related to lease rental income earned during the year.

Income (loss) before taxes

Income before taxes for the year ended October 31, 2016 increased by \$180 million to \$129 million in fiscal year 2016 as compared to the same period in the prior year. The increase was mainly driven the increase in revenues of \$147 million and the decrease in costs and expenses of \$33 million, which was largely due to the successful implementation by USPS of certain strategic initiatives during the year that increased efficiencies.

Income taxes

Income taxes for the year ended October 31, 2016 increased by \$71 million to a \$49 million tax provision in fiscal year 2016 as compared to a \$22 million tax benefit in the same period in the prior year. The increase was driven by the increase in revenues and decrease in costs that resulted in higher income before taxes in 2016 as compared to 2015.

Comparisons of Fiscal Years Ended October 31, 2015 and 2014

(in millions)	Fiscal Years Ended		Change	
	October 31, 2015	October 31, 2014	\$	%
Revenues	\$2,585	\$2,955	\$(370)	(13)%
Costs of services	2,101	2,144	(43)	(2)%
Selling, general and administrative	242	318	(76)	(24)%
Depreciation and amortization	214	227	(13)	(6)%
Restructuring costs	22	12	10	83 %
Separation costs	28	—	28	—
Interest expense	33	36	(3)	(8)%
Interest income	(4)	(3)	(1)	33 %
Total costs and expenses	2,636	2,734	(98)	(4)%
(Loss) income before taxes	(51)	221	(272)	NM
(Benefit) provision for taxes	(22)	83	(105)	NM
Net (loss) income	(29)	138	(167)	NM

Revenues

The USPS total revenue for the year ended October 31, 2015 decreased by \$370 million or 13% as compared to the same period in the prior year. The \$370 million decrease in revenues for the year ended October 31, 2015 was mainly impacted by scope and pricing changes related to major contract renewals.

Costs of services

Costs of services for the fiscal year ended October 31, 2015 decreased by \$43 million or 2% as compared to the same period in the prior year on a percentage of revenues basis, costs of services increased by 9%, mainly driven by scope and price compression on major contract renewals.

Selling, general and administrative

Selling, general and administrative expenses for the fiscal year ended October 31, 2015 decreased by \$76 million or 24% as compared to the same period in the prior year. The decrease was impacted by a litigation charge of \$50 million included in SG&A for the fiscal year ended October 31, 2014. The litigation was settled during the fiscal year ended October 31, 2015, which resulted in a release of \$6 million of litigation liability.

Depreciation and amortization

Depreciation and amortization for the fiscal year ended October 31, 2015 decreased by \$13 million or 6% as compared to the same period in the prior year. The decrease is due to a reduction in property and equipment balances associated with disposals and capital lease contract terminations.

Restructuring costs

Restructuring costs for the fiscal year ended October 31, 2015 increased by \$10 million or 83% as compared to 2014. The increase in restructuring costs is due to the recognition of employee severance and infrastructure charges incurred associated with the fiscal 2012 restructuring plan.

Separation Costs

Separation costs of \$28 million recorded for the fiscal year ended October 31, 2015 are associated with the separation of HPE from HP Inc. These costs were not incurred in 2014.

Interest expense

Interest expense for the fiscal year ended October 31, 2015 decreased by \$3 million or 8% as compared to the same period in the prior year. The decrease is due to lower capital lease liability balances.

Interest income

Interest income remained consistent year over year, representing an increase of \$1 million from fiscal year ended October 31, 2015 to 2014. Interest income recognized is related to lease rental income earned during the year.

Income (loss) before taxes

Loss before taxes for the year ended October 31, 2015 increased by \$272 million to a \$51 million loss as compared to the same period in the prior year. The loss was driven by the decrease in revenues of \$370 million, while the decrease in costs and expenses was only \$98 million, largely due to the increased costs of services as a percentage of revenues in the fiscal year ended October 31, 2015 as compared to 2014.

Income taxes

Income taxes for the year ended October 31, 2015 decreased by \$105 million to a benefit of \$22 million as compared to a \$83 million tax expense in the same period in the prior year. The decrease is driven by the reduction in revenues with no corresponding reduction in costs, which resulted in losses before income taxes.

Non-GAAP Financial Measures

USPS presents non-GAAP financial measures of performance which are derived from the unaudited condensed combined statements of operations for the nine-month period ended December 31, 2017, the audited combined statements of operations for the five-month period ended March 31, 2017 and the combined statements of operations for the twelve-month periods ended October 31, 2016, 2015 and 2014. These non-GAAP financial measures include earnings before interest, taxes and depreciation and amortization (“EBITDA”) and Adjusted EBITDA.

USPS presents these non-GAAP financial measures to provide investors with meaningful supplemental financial information, in addition to the financial information presented on a GAAP basis. These non-GAAP financial measures exclude certain items from GAAP results which USPS management believes are not indicative of core operating performance. USPS management believes these non-GAAP measures provide investors supplemental information about the financial performance of USPS exclusive of the impacts of corporate wide strategic decisions.

USPS management believes that adjusting for these items provides investors with additional measures to evaluate the financial performance of USPS’s core business operations on a comparable basis from period to period. USPS management believes the non-GAAP measures provided are also considered important measures by financial analysts.

There are limitations to the use of the non-GAAP financial measures USPS presents. One of the limitations is that they do not reflect complete financial results. USPS compensates for this limitation by providing a reconciliation between USPS’s non-GAAP financial measures and the respective most directly comparable financial measure calculated and presented in accordance with GAAP. Additionally, other companies, including companies in USPS’s industry, may calculate non-GAAP financial measures differently than USPS does, limiting the usefulness of those measures for comparative purposes between companies.

Non-GAAP financial measures and the respective most directly comparable financial measures calculated and presented in accordance with GAAP include:

Reconciliation of Non-GAAP Financial Measures

USPS’s non-GAAP adjustments to its performance measures include:

- Restructuring costs—reflects restructuring costs, net of reversals, related to workforce optimization and infrastructure charges.
- Transaction, separation and integration-related costs—reflects costs related to integration planning, financing, and advisory fees associated with the separation of HP into two separate companies in 2015 and merger of the newly separated HP enterprise services business with CSC in 2017, forming DXC.

Share-based compensation—represents the share-based compensation attributable to USPS based on the awards and terms previously granted under the incentive compensation plan to USPS’s employees and an allocation of Parent’s corporate and shared functional employee expenses.

A reconciliation of net income (loss) to EBITDA and Adjusted EBITDA is as follows:

(in millions)	Predecessor				Successor
	Fiscal Years Ended			Nine Months Ended	Nine Months Ended
	October 31, 2014	October 31, 2015	October 31, 2016	October 31, 2016	December 31, 2017
Net income (loss)	\$138	\$ (29)	\$ 80	\$ 68	\$176
Income tax expense (benefit)	83	(22)	49	42	(13)
Interest expense	36	33	36	27	7
Interest income	(3)	(4)	(5)	(4)	—
Depreciation and amortization	227	214	225	167	116
EBITDA	481	192	385	300	286
Restructuring	12	22	20	17	10
Transaction, separation, and integration-related costs	—	28	34	29	44
Share-based compensation	17	23	20	13	4
Adjusted EBITDA (1)	\$510	\$265	\$459	\$359	\$344

(1) Includes corporate allocations as set forth below:

(in millions)	Predecessor				Successor
	Fiscal Years Ended			Nine Months Ended	Nine Months Ended
	October 31, 2014	October 31, 2015	October 31, 2016	October 31, 2016	December 31, 2017
Corporate dedicated and corporate shared expenses (excluding share-based compensation)	\$140	\$134	\$120	\$90	\$94
Global support functions	\$ 15	\$ 12	\$ 12	\$ 9	\$15

Liquidity and Capital Resources

Current Liquidity

Our total liquidity is comprised of operating cash and cash equivalents. USPS has generated and expects to continue to generate positive operating cash flow to fund USPS's requirements for working capital, capital expenditures, commitments and other discretionary investments. USPS's exposure to operational liquidity risk is primarily from long-term contracts which require significant investment of cash flows from operating activities during the initial phases of the contracts. The recovery of these investments is over the life of the contract and is dependent upon USPS's performance as well as customer acceptance. USPS reflects transfers of cash to and from Parent's cash management system as a component of Parent company investment on the Combined Balance Sheets. Accordingly, USPS's Combined Balance Sheets do not reflect a cash balance.

Future Liquidity

Following the Spin-Off, USPS's primary cash needs will continue to be for working capital, capital expenditures, commitments and other discretionary investments; however, USPS's capital structure and sources of liquidity will change from its historical capital structure because USPS will no longer participate in DXC's centralized cash management program. USPS's ability to fund its operating needs will depend, in part, on its future ability to continue to generate positive cash flow from operations or, if necessary, raise cash in the capital markets. In light of the Spin-Off and the Mergers, it is USPS's belief, based upon USPS's history of generating strong cash flows, that USPS will be able to meet its short-term liquidity needs, and meet known or reasonably likely future cash requirements, through the combination of cash flows from operating activities, available cash

balances and available borrowings under USPS's expected credit facilities, as discussed below. If these sources of liquidity need to be augmented, additional cash requirements would likely be financed through the issuance of debt or equity securities; however, there can be no assurances that USPS will be able to obtain additional debt or equity financing on acceptable terms in the future. Under the terms of the Separation Agreements, on or about the closing date of the Spin-Off, USPS expects to obtain financing of approximately \$2.2 billion under the New Term Facility, net of \$29 million of estimated debt issuance costs, and \$249 million, net of \$8 million of estimated issuance costs, which USPS expects to be drawn pursuant to the New Revolving Credit Facility. Alternatively, Perspecta may supplement the New Credit Facilities with the Term Loan B Facility. Additionally, on or about the closing date of the Mergers, USPS expects to repay outstanding indebtedness of Vencore with combined balances of approximately \$974 million as of December 31, 2017, funded from a portion of the proceeds of the New Term Facility and New Revolving Credit Facility. The amounts incurred under the New Term Facility and the New Revolving Credit Facility discussed above are expected to bear interest at an average rate of approximately 4.2% with maturity dates between three and five 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 amounts incurred under the prospective Term Loan B Facility discussed above, if obtained, would likely have an interest rate slightly higher than the New Term Facility, mature seven years after the closing date thereof and, similar to typical institutional term loans, require quarterly principal payments of approximately 1.0% of the principal amount of the loan per annum. The incremental interest expense associated with the Term Loan B Facility is not expected to have a significant impact on Perspecta's combined statements of operations. The net proceeds of the Term Loan B Facility, if obtained, would be used to reduce amounts incurred under the New Credit Facilities, and therefore, would not have a significant impact on Perspecta's total outstanding indebtedness or combined balance sheets.

Cash and Cash Equivalents and Cash Flows

USPS reflects transfers of cash to and from Parent's cash management system as a component of Parent company investment on the Combined Balance Sheets. The following table summarizes the USPS cash flow activity:

	Successor	Predecessor			
	Nine Months Ended	Nine Months Ended	Fiscal Years Ended		
	December 31, 2017	October 31, 2016	October 31, 2016	October 31, 2015	October 31, 2014
(in millions)					
Net cash provided by operating activities	\$ 347	\$ 410	\$ 495	\$100	\$ 487
Net cash used in investing activities	(17)	(11)	(21)	(18)	(30)
Net cash used in financing activities	(330)	(399)	(474)	(82)	(457)
Net increase (decrease) in cash and cash equivalents	—	—	—	—	—
Cash and cash equivalents—beginning of the year	—	—	—	—	—
Cash and cash equivalents—end of the year	—	—	—	—	—

Operating Cash Flow

Net cash provided by operating activities for the nine months ended December 31, 2017 was \$347 million as compared to \$410 million during the nine months ended October 31, 2016. The decrease of \$63 million was driven by net cash decreases from movements in working capital of \$36 million and adjustments to net income of \$135 million, partially offset by increases in net income of \$108 million.

Net cash provided by operating activities for the year ended October 31, 2016 was \$495 million as compared to \$100 million for the year ended October 31, 2015. The increase of \$395 million was driven by an

increase in net income of \$109 million and adjustments to net income of \$19 million, as well as net cash increases from movements in working capital of \$267 million.

Net cash provided by operating activities for the year ended October 31, 2015 was \$100 million as compared to \$487 million for the year ended October 31, 2014. The decrease of \$387 million was represented by a decrease of \$167 million in net income and net cash decreases from movements in working capital of \$259, which were offset by adjustments to net income of \$39.

Investing cash flow

Net cash used in investing activities for the nine months ended December 31, 2017 was \$17 million as compared to \$11 million in the nine months ended October 31, 2016. The increase of \$6 million in cash used by investing activities was driven by higher purchases of property and equipment and higher payments for outsourcing contracts in the period.

Net cash used in investing activities for the year ended October 31, 2016 was \$21 million as compared to \$18 million during the year ended October 31, 2015. This increase of \$3 million in cash used in investing activities was primarily driven by higher purchases of property and equipment.

Net cash used in investing activities for the year ended October 31, 2015 was \$18 million as compared to \$30 million during the year ended October 31, 2014. This decrease of \$12 million in cash used in investing activities was mainly due to lower payments for outsourcing contracts of \$14 million.

Financing cash flow

Net cash used in financing activities for the nine months ended December 31, 2017 was \$330 million as compared to \$399 million in the nine months ended October 31, 2016. The decrease in cash used in financing activities was primarily due to lower cash transfers to Parent, which are mainly associated with lower cash provided by operating activities.

Net cash used in financing activities for the year ended October 31, 2016 was \$474 million as compared to \$82 million during the year ended October 31, 2015. The increase was primarily due to higher cash transfers to Parent, which are mainly associated with higher cash provided by operating activities.

Net cash used in financing activities for the year ended October 31, 2015 was \$82 million as compared to \$457 million during the year ended October 31, 2014. The decrease was primarily due to lower cash transfers to Parent, which are mainly associated with lower cash provided by operating activities.

Off-Balance Sheet Arrangements

USPS is a party to a receivables sales arrangement with off-balance sheet risk. See Note 3—“Sale of Receivables” for information about the USPS receivables sales arrangement.

Contractual Obligations

The following table summarizes the USPS contractual obligations as of March 31, 2017:

(in millions)	Less than 1 year	2-3 years	4-5 years	More than 5 years	Total
Capitalized lease liabilities	\$ 85	\$197	\$12	\$—	\$294
Operating leases	27	73	19	15	134
Totals	<u>\$112</u>	<u>\$270</u>	<u>\$31</u>	<u>\$ 15</u>	<u>\$428</u>

Critical Accounting Policies and Estimates

The preparation of combined financial statements in accordance with U.S. GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ materially from the USPS estimates under different assumptions, judgments or conditions. USPS considers the following policies to be critical because of their complexity and the high degree of judgment involved in implementing them: revenue recognition, taxes on earnings, defined benefit plans, valuation of assets and assumptions and estimates used to analyze contingencies and litigation.

Revenue Recognition

General

USPS 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. USPS 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, USPS records revenue on a gross basis when USPS is a principal to the transaction and on a net basis when USPS is acting as an agent between the customer and the vendor. USPS considers several factors to determine whether it is acting as a principal or an agent, most notably whether USPS is the primary obligor to the customer, has established its own pricing and has inventory and credit risks.

Multiple element arrangements

When a sales arrangement contains multiple elements or deliverables, such as hardware and software products, and/or services, USPS 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. USPS 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. USPS establishes TPE of selling price by evaluating largely similar and interchangeable competitor products or services in standalone sales to similarly situated customers. USPS 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, USPS allocates the transaction price to the individual units of accounting at inception of the arrangement based on their relative selling price. USPS 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, USPS 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 USPS’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

USPS 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. USPS 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. USPS 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, USPS uses the completed contract method and recognizes revenue and costs upon service completion. For time and material contracts, USPS recognizes revenue as services are rendered and recognizes costs as they are incurred.

USPS 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. USPS 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, USPS 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.

Taxes on Earnings

On December 22, 2017, the President of the United States signed into law comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Act”). The Act makes significant changes to the Internal Revenue Code of 1986 with varying effective dates. The Act reduces the maximum corporate income tax rate to 21% effective as of January 1, 2018, requires companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries, broadens the tax base, generally eliminates U.S. federal income taxes on dividends from foreign subsidiaries, creates a new limitation on the deductibility of interest expense, limits the deductibility of certain executive compensation, and allows for immediate capital expensing of certain qualified property. It also requires companies to pay minimum taxes on foreign earnings and subjects certain payments from U.S. corporations to foreign related parties to additional taxes.

As a fiscal year taxpayer, USPS will not be subject to many of the tax law provisions until fiscal year 2019; however, U.S. generally accepted accounting principles require companies to revalue their deferred tax assets and liabilities with resulting tax effects accounted for in the reporting period of enactment including retroactive effects. Section 15 of the Internal Revenue Code stipulates that USPS’s fiscal year ending March 31, 2018, will have an estimated blended corporate U.S. federal income tax rate of 30.38%, which is based on the applicable tax rates before and after the Act and the number of days in the Company’s federal tax year pro-rated for actual earnings through its October 31, 2017 tax year-end.

Also, the SEC staff issued SAB 118, which provides guidance on accounting for the tax effects of the Act. SAB 118 provides a measurement period that should not extend beyond one year from the Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Act for which the accounting under ASC 740 is complete. To the extent that a company’s accounting for certain income tax effects of the Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Act.

Based on a preliminary assessment of the Act, USPS has quantified the impact of the Act on USPS's consolidated financial statements.

USPS's operations have historically been included in the tax returns filed by the respective Parent entities of which USPS's businesses are a part. Income tax expense and other income tax related information contained in the combined financial statements of USPS included elsewhere in this Information Statement are presented on a separate return basis as if USPS filed its own tax returns. The separate return method applies the accounting guidance for income taxes to the standalone financial statements as if USPS were a separate taxpayer and a standalone enterprise for the periods presented. Current income tax liabilities are assumed to be settled with Parent on the last day of the reporting period and are relieved through the Parent company investment account and the Net transfers from Parent in the Combined Statements of Cash Flows.

USPS 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. USPS records a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be realized.

USPS records accruals for uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more likely than not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. USPS 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.

Valuation of Assets

USPS reviews long-lived assets and intangible assets for impairment in accordance with its accounting policy disclosed in Note 1—"Overview and Summary of Significant Accounting Policies" to the USPS Combined Financial Statements. Assessing the fair value of assets involves significant estimates and assumptions including estimation of future cash flows, the timing of such cash flows, and discount rates reflecting the risk inherent in projecting future cash flows. The valuation of long-lived and intangible assets involves management estimates about future values and remaining useful lives of assets, particularly purchased intangible assets. These estimates are subjective and can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in the USPS business strategy and forecasts.

Assumptions and Estimates Used to Analyze Contingencies and Litigation

USPS is subject to various claims and contingencies associated with lawsuits, insurance, tax and other issues arising in the normal course of business. The USPS Combined Financial Statements reflect the treatment of claims and contingencies based on management's view of the expected outcome. USPS consults with outside legal counsel on issues related to litigation and seeks input from other experts and advisors with respect to matters in the ordinary course of business. If the likelihood of an adverse outcome is probable and the amount is estimable, USPS accrues a liability in accordance with Accounting Standards Codification ("ASC") Topic 450 "Contingencies." Significant changes in the estimates or assumptions used in assessing the likelihood of an adverse outcome could have a material effect on the USPS results of operations.

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

The following discussion and analysis is intended to help prospective investors understand Vencore's business, financial condition, results of operations, liquidity and capital resources. You should read this discussion in conjunction with Vencore's combined financial statements and related notes thereto included elsewhere in this Information Statement. As used in this Information Statement, all references to "Vencore" are to Vencore Holding Corp., KGS Holding Corp. and their respective subsidiaries on a combined basis.

The statements in this discussion regarding industry outlook, expectations regarding Vencore's future performance, liquidity and capital resources and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Risk Factors" and "Cautionary Statement Concerning Forward-Looking Statements." Actual results may differ materially from those contained in any forward-looking statements.

Overview

Vencore is a leading provider of mission-critical, innovation-driven services and solutions to U.S. government customers. The foundation of its business is the application of SE&I, cybersecurity, applied research and big data analytics on an enterprise-wide scale to assist its U.S. government customers in solving their most complex information-related challenges. Vencore is a leader in the architecture and integration of highly-engineered, mission-critical information solutions across the U.S. government, and provide enterprise-level support to multiple governmental programs that manage, collect, analyze and disseminate critical mission data to national security agencies and their customers. Vencore maintains industry-leading expertise in providing comprehensive solutions throughout the life of multi-billion dollar systems that support the core missions of the Intelligence Community and other U.S. Government agency customers. Vencore's services and solutions span the entire lifecycle of programs, encompassing system(s) definition, architecture, agile solutions development, test and integration, deployment and operations. Further, Vencore believes its leading data analytics capabilities for investigative case management and human resources are equipped to meet the growing demand and evolving complexity of the background investigative and identity authentication solutions sector.

Key Metrics

Vencore manages and assesses the performance of its business by evaluating a variety of metrics. Selected key metrics are discussed below.

Submittals, New Awards, Book-to-Bill, Award Fees and DSO

Vencore's future growth is dependent upon its ability to successfully bid and win new contracts in its target markets. Submittals include the total value of bids submitted, including both new and re-compete contracts. Submittals also include values of bids for task orders submitted under ID/IQ contracts and bids submitted as a subcontractor. The total value of proposals Vencore submitted for the year ended December 31, 2015, 2016 and 2017 was \$2.1 million, \$2.9 billion and \$3.0 billion, respectively. \$2.7 billion and \$2.4 billion for the years ended December 31, 2016 and 2017 was for new business opportunities.

New awards generally represent the amount of revenue expected to be earned in the future from funded and unfunded contract awards received during the period, taking into account the value of option years. Contract awards include both new and re-compete contracts. Given that new contracts generate growth, Vencore closely tracks the new awards component of contract awards each year. The total value of new awards Vencore received for the years ended December 31, 2015, 2016 and 2017 was \$254 million, \$228 million and \$542 million, respectively.

Another key measure of Vencore's business growth is the ratio of total contract awards to revenue recorded in the same period, or book-to-bill ratio. To drive future revenue growth, Vencore's goal is for the level of contract awards in a given period to exceed the revenue booked, thus yielding a book-to-bill ratio greater than 1.0. Vencore's book-to-bill ratio was 0.6, 1.4 and 1.3 for the years ended December 31, 2015, 2016 and 2017, respectively.

As a result of Vencore's acquisition of QNA SSG, new markets, customers and capabilities opened for Vencore, resulting in an increase in the volume of submittals. Additionally Vencore established a more robust business development organization to increase its submittals volume. Given Vencore's growth strategy, it expects to increase the volume of submittals in the future.

The change in new awards from the year ended December 31, 2016 to the year ended December 31, 2017 was primarily due to new awards from NOAA, two Intelligence Community customers and ordinary course fluctuations in Vencore's business. The volume of contract awards can fluctuate in any given period due to the timing and size of the awards issued by Vencore's customers. Additionally, Vencore's contract backlog will also fluctuate in any given period based on the volume of contract awards issued in comparison to the revenue generated from its existing contracts.

Award Fees

Work performed under cost-plus award fee arrangements, a subset of Vencore's cost-reimbursable contracts with performance-based award fees, represented 51%, 51% and 50% of its revenues for the years ended December 31, 2015, 2016 and 2017, respectively. Vencore's award fees are significantly impacted by the performance and quality of its work performed. Additionally, Vencore's strong program execution resulted in favorable award fee scores, which can lead to contract expansion and successful awards on its re-compete contracts. For the year ended December 31, 2017, Vencore's average award fee score was 93% as compared to 94% and 93% for the years ended December 31, 2016 and 2015, respectively. Award fee scores are measured by the total award fee earned from the total award fee available.

Days Sales Outstanding

Days sales outstanding ("DSO") is a measure of how effectively Vencore manages the billing and collection of accounts receivable, its most significant working capital component. Vencore calculates DSO by dividing accounts receivable at the end of each quarter, net of billings in excess of revenue, by revenue per day for the period. For the years ended December 31, 2015, 2016 and 2017, DSO was 43 days, 45 days and 47 days, respectively. The year over year increase in DSO was primarily due to the start-up of a new contract with an Intelligence Community customer.

Financial and Other Highlights

Set forth below are key financial highlights for Vencore for the year ended December 31, 2017 as compared to the year ended December 31, 2016:

- Revenue decreased by \$29 million for the year ended December 31, 2017 as compared to the year ended December 31, 2016, principally as a result of lower volume on Vencore's recently re-competed programs.
- Net income increased by \$6 million to \$26 million for the year ended December 31, 2017 as compared to \$20 million for the year ended December 31, 2016, principally due to an income tax benefit as a result of the tax reform, higher gains on Vencore's pension plan, lower debt refinancing costs offset by lower profit margins experienced on re-compete programs, higher general and administrative expenses due to IPO and merger plans and higher interest expense.

Set forth below are key financial highlights for the year ended December 31, 2016 as compared to the year ended December 31, 2015:

- Revenue increased by \$6 million for the year ended December 31, 2016 as compared to the year ended December 31, 2015. This was driven by \$41 million of growth on existing contracts and \$38 million for new contract wins. These increases were partially offset by a decline in revenue of approximately \$35 million from one re-compete project, which was awarded at a reduced scope. There was also an additional decline of approximately \$39 million in revenue as a result of programs ending and declines in revenue from non-core programs, which Vencore defines as contracts from Vencore's acquisition of QNA SSG that it expected to end and decided not to re-compete at the time of the acquisition. The decline in revenue from non-core programs represented \$7 million and Vencore does not believe the termination of these non-core programs will have a significant impact to its future results of operations and financial position.
- Net income decreased by \$3 million to \$20 million for the year ended December 31, 2016 as compared to \$23 million for the year ended December 31, 2015 principally as a result of one-time expenses incurred to refinance Vencore's debt, higher deferred contract cost, and interest expense, offset by higher operating income, higher gain on pension plan and no gain on contingent consideration in 2016 compared to 2015.

Restructuring Activities

During the year ended December 31, 2014, Vencore began implementing various restructuring plans upon completing acquisitions to further achieve cost efficiencies. Vencore consolidated operations in various facilities which resulted in the consolidation of leased facilities, the sale of an owned property and the reduction of full-time employees. These actions resulted in restructuring expenses, some of which were determined to be recoverable over a period based upon U.S. Government Cost Accounting Standards. Accordingly, Vencore recorded an asset for these expenses of approximately \$8 million, \$11 million and \$1 million for the years ended December 31, 2014, 2015 and 2016, respectively. The asset is amortized on a straight-line basis over three to five years. Vencore believes that the variability of future results of operations caused by the restructuring activities will be minimal due to straight-line expense recognition of capitalized costs. These restructuring activities will result in a source of capital resources as cash receipts will be received in future periods through periodic billings. See "Note 5—Deferred Costs" in the notes to Vencore's combined financial statements included elsewhere in this Information Statement for further details.

Formation of HVH

On February 17, 2017, Vencore entered into a joint venture agreement with Havas Health, Inc. ("Havas"), a global communications company operating in over 50 countries focused on health and wellness communication and cross stakeholder strategy. The companies have joined together to form HVH Precision Analytics LLC ("HVH"). The joint venture will leverage sophisticated analytics and predictive modeling with deep therapeutic area expertise to provide unique data and insights into the niche rare disease market.

Upon formation, Vencore and Havas each contributed nonfinancial assets as well as cash in return for their interest in HVH, with Vencore contributing \$1 million in cash and \$3 million in assets, including: (i) IP, (ii) inventions, (iii) trademarks and trade secrets, (iv) IT assets and (v) customer relationships and agreements. In exchange for these contributions, Vencore received 1,000,000 of HVH's Class A Units, or 50% of HVH's equity interest.

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 810, *Consolidation* ("ASC Topic 810"), Vencore identified HVH as a variable interest entity ("VIE") because HVH, upon formation, has insufficient equity investment at risk and its equity investment holders at risk lack the ability, through voting or similar rights, to direct the activities that most significantly

impact HVH's economic performance. Additionally, Vencore evaluated its variable interests in HVH and concluded that it is not the primary beneficiary and therefore should not consolidate HVH as it does not hold the power to direct the activities that most significantly impact HVH's economic performance nor does it have the obligation to absorb the majority of the losses or the right to receive the majority of the benefits of the VIE. Vencore has not identified any subsequent changes to HVH's governing documents or contractual arrangements that would change the characteristics or adequacy of the entity's equity investment at risk in accordance with ASC Topic 810.

Vencore recorded a gain of \$3 million with respect to its investment in HVH in the year ended December 31, 2017, representing the fair value of contributed assets. Vencore subsequently accounts for its share of earnings or losses using the equity method of accounting in accordance with ASC Topic 323, *Investments—Equity method and joint ventures*. The investment balance for HVH is included in "Other long-term assets" on Vencore's combined balance sheet. Vencore's investment related to this VIE totaled \$2 million as of December 31, 2017, representing the Vencore's maximum exposure to loss. Under the equity method, Vencore recognizes its share of earnings or losses of HVH in the periods for which they are reported by HVH in its financial statements.

Factors and Trends Affecting Vencore's Results of Operations

Vencore believes that the financial performance of its business and our future success are dependent upon many factors, including those highlighted in this section. Vencore's operating performance will depend upon many variables, including the success of its growth strategies and the timing and size of investments and expenditures that it chooses to undertake, as well as market growth and other factors that are not within Vencore's control.

Federal Budget Uncertainty

There is uncertainty around the timing, extent, nature and effect of Congressional and other U.S. Government actions to address budgetary constraints, caps on the discretionary budget for defense and non-defense departments and agencies, as established by the Bipartisan Budget Control Act 2011 and subsequently adjusted by the American Tax Payer Relief Act of 2012, the Bipartisan Budget Act of 2013 and the Bipartisan Budget Act of 2015, and the ability of Congress to determine how to allocate the available budget authority and pass appropriations bills to fund both U.S. Government departments and agencies that are, and those that are not, subject to the caps. Additionally, further delays in the completion of future U.S. government budgets could in the future delay procurement of the services Vencore provides. While recent budget actions reflect a more measured and strategic approach to addressing the U.S. government's fiscal challenges, there remains uncertainty as to how exactly budget cuts, including sequestration, could impact Vencore, and therefore it is unable to predict the extent of the impact of such cuts on its business and results of operations. A reduction in the amount of, or reductions, delays, or cancellations of funding for, services that Vencore is contracted to provide to the U.S. Government as a result of any of these related initiatives, legislation or otherwise could have a material adverse effect on Vencore's business and results of operations.

U.S. Government Spending

Cost-cutting and efficiency initiatives, current and future budget restrictions, spending cuts and other efforts to reduce U.S. Government spending could cause clients to reduce or delay funding of orders for solutions or services or invest appropriated funds on a less consistent basis or not at all. There is a risk that clients will not issue task orders in sufficient volume to reach current contract ceilings or alter historical patterns of contract awards, including the typical increase in the award of task orders or completion of other contract actions by the U.S. Government in the period before the end of the U.S. fiscal year on September 30.

Regulations

Increased audit, review, investigation and general scrutiny by U.S. government agencies of government contractors' performance under U.S. government contracts and compliance with the terms of those contracts and applicable laws could affect Vencore's operating results. Negative publicity and increased scrutiny of government contractors in general, including Vencore, relating to U.S. government expenditures for contractor services and incidents involving the mishandling of sensitive or classified information as well as the increasingly complex requirements of the DoD and the Intelligence Community, including those related to cybersecurity, managing federal health care cost growth and focus on reforming existing government regulation of various sectors of the economy, such as financial regulation and healthcare, could impact Vencore's ability to perform in the marketplace.

Competitive Markets

Vencore believes that it is well positioned to take advantage of the markets in which it operates because of Vencore's expertise and specialization. Vencore's ability to effectively manage project engagements, including logistics, client requirements, engineering resources and service levels, will affect its financial performance. Increased competition from other government contractors and market entrants seeking to take advantage of certain industry trends may result in the emergence of companies that are better able to compete against Vencore.

Seasonality

Vencore's results may be affected by variances as a result of seasonality it experiences across its business. This pattern is typically driven by the U.S. fiscal year-end, September 30. While not certain, it is not uncommon for U.S. government agencies to award extra tasks or complete other contract actions in the weeks before the end of the U.S. fiscal year in order to avoid the loss of unexpended fiscal year funds. In addition, Vencore has also historically experienced higher bid and proposal costs in the months leading up to the U.S. fiscal year-end as it pursues new contract opportunities expected to be awarded early in the following U.S. fiscal year as a result of funding appropriated for that U.S. fiscal year. Vencore may continue to experience this seasonality in future periods, and its results of operations may be affected by it. While not certain, changes in the U.S. Government's funding and spending patterns have altered historical seasonality trends, supporting Vencore's approach to managing the business on an annual basis.

Vencore's People

Revenue from Vencore's contracts is derived from services delivered by its people and to a lesser extent from its subcontractors. Vencore's ability to hire, retain and deploy talent is critical to its ability to grow its revenue. As of December 31, 2015, 2016, and 2017, Vencore employed approximately 5,300, 5,300 and 5,800 people, respectively. Vencore continues to focus on its firm-wide hiring program to recruit and attract additional high quality and experienced talent. Vencore believes this will allow it to grow its business through the deployment of increased staff against committed contracts.

Effects of Inflation

For the years ended December 31, 2015, 2016 and 2017, 64%, 66% and 65% of Vencore's revenue was derived from cost-reimbursable contracts, respectively. Bids for longer-term fixed-price and time-and-materials contracts typically include sufficient provisions for labor and other cost escalations to cover anticipated cost increases over the period of performance. Consequently, revenue and costs have generally both increased commensurate with overall economic growth. As a result, operating income as a percentage of total revenue has not been significantly impacted by inflation.

Defined Benefit Plan and other Postretirement Benefits

Net actuarial gains and losses occur when the actual experience differs from any of the various assumptions used to value Vencore's benefit plans or when assumptions change. The primary factors contributing to actuarial

gains and losses are changes in the discount rate used to value benefit obligations as of the measurement date each year and the difference between expected and actual returns on plan assets. This mark-to-market accounting method results in the potential for volatile and difficult to forecast adjustments.

Components of Results of Operations

Revenue

Substantially all of Vencore's revenue is derived from services provided under contracts with the U.S. government and its agencies by Vencore's employees and subcontractors. Funding for Vencore's contracts is generally linked to trends in budgets and spending across various U.S. Government agencies and departments. Vencore provides services under a large portfolio of contracts and contract vehicles to a broad client base, and it believes that its diversified contract and client base mitigates the risk of volatility in its business. Vencore's service revenue includes SE&I, cybersecurity, applied research, big data analytics services and background investigation services.

Vencore generates revenue under the following three basic types of contracts: cost-reimbursable, fixed price, and time-and-materials.

Revenue on cost-reimbursable contracts is recognized as services are performed, generally based on the allowable costs incurred during the period plus any recognizable earned fee. Vencore considers fixed fees under cost-reimbursable contracts to be earned in proportion to the allowable costs incurred in performance of the contract. For cost-reimbursable contracts that include performance-based fee incentives, which are principally award fee arrangements, Vencore recognizes income when such fees are probable and estimable, and the fees are recognized throughout the term of the contract in proportion to the allowable costs incurred. Estimates of the total fee to be earned are made based on contract provisions, prior experience with similar contracts or customers, and management's evaluation of Vencore's performance on such contracts. Contract costs, including indirect expenses, are subject to audit by the DCAA and, accordingly, are subject to possible cost disallowances.

Revenue on fixed-price contracts is primarily recognized using the percentage-of-completion method based on actual costs incurred relative to total estimated costs for the contracts, which are recorded using the cost-to-cost method. These estimated costs are updated during the term of the contract and may result in revision by Vencore of recognized revenue and estimated costs in the period in which the changes in the estimated costs are identified. Any changes from prior estimates are recognized as an inception-to-date adjustment in the period in which the facts necessitating the revision have become known. Profits on fixed-price contracts result from the difference between incurred costs used to calculate the percentage of completion and revenue earned.

Revenue on fixed unit price contracts, where specified units of output under service arrangements are delivered, is recognized when realized or realizable and earned, as units are delivered based on the specified price per unit. Delivery is represented by the final submission of the completed case (a "case" being defined as the total amount of work required to complete the background investigation as requested by the customer) in accordance with the contract. Vencore considers the case to be the unit of account.

Revenue earned under time-and-materials contracts is recognized as hours are worked based on contractually billable rates to the client. Costs on time-and-materials contracts are expensed as incurred.

The table below presents the percentage of total revenue for each type of contract.

	Year Ended December 31,		
	2015	2016	2017
Cost-reimbursable	64%	66%	65%
Fixed-price	26%	26%	27%
Time-and-materials	10%	8%	8%

The amount of risk and potential reward varies under each type of contract. Under cost-reimbursable contracts, there is limited financial risk, because Vencore is reimbursed for all allowable costs up to a ceiling. However, profit margins on this type of contract tend to be lower than on time-and-materials and fixed-price contracts. Under time-and-materials contracts, Vencore is reimbursed for the hours worked using the predetermined hourly rates for each labor category. In addition, Vencore is typically reimbursed for other direct contract costs and expenses at cost. Vencore assumes financial risk on time-and-materials contracts because its labor costs may exceed the negotiated billing rates. Profit margins on well-managed time-and-materials contracts tend to be higher than profit margins on cost-reimbursable contracts as long as Vencore is able to staff those contracts with people who have an appropriate skill set. Under fixed-price contracts, Vencore is required to deliver the objectives under the contract for a pre-determined price. Compared to time-and-materials and cost-reimbursable contracts, fixed-price contracts generally offer higher profit margin opportunities because we receive the full benefit of any cost savings, but they also generally involve greater financial risk because Vencore bears the risk of any cost overruns. In the aggregate, the contract type mix in its revenue for any given period will affect that period's profitability. Over time, Vencore has experienced a relatively stable contract mix.

Operating expenses

Operating expenses primarily include costs of revenue, general and administrative costs and depreciation and amortization. Costs associated with compensation and related expenses for Vencore's people are the most significant component of its operating expenses. The principal factors that affect Vencore's costs are the hiring of additional employees in connection with growing its business and as it is awarded new contracts and additional work under its existing contracts as well as costs associated with business development activities. Vencore expects operating expenses to increase due to its anticipated growth.

Costs of revenue consist of direct labor and associated fringe benefits, indirect overhead, subcontractor costs, travel expenses and other expenses incurred to perform on contracts.

General and administrative expenses include salaries and wages and fringe benefits of Vencore's employees not performing work directly for customers as well as other costs related to these indirect functions.

(Loss) gain on Pension Plan

Net actuarial gains and losses occur when the actual experience differs from any of the various assumptions used to value Vencore's benefit plans or when assumptions change. The primary factors contributing to actuarial gains and losses are changes in the discount rate used to value benefit obligations as of the measurement date each year and the difference between expected and actual returns on plan assets. This mark-to-market accounting method results in the potential for volatile and difficult to forecast adjustments.

Equity in Net Earnings of Affiliate

Investments in HVH are accounted for under the equity method of accounting whereby Vencore recognizes its proportionate share of HVH's net income or loss in Vencore's combined statement of operations and does not consolidate HVH's assets and liabilities. Vencore has a non-controlling 50% ownership interest in HVH and has the ability to exercise significant influence over the joint venture.

Results of Operations

The following table sets forth items from Vencore's combined statements of operations for the periods indicated. Vencore's historical results are not necessarily indicative of results that may be expected for any future period. The information contained below should be read in conjunction with Vencore's combined financial statements and the related notes thereto included elsewhere in this Information Statement.

(\$ in millions)	Year Ended December 31			Fiscal 2017 compared to Fiscal 2016
	2016	2017	\$ Change	% Change
Revenue	\$1,405	\$1,376	\$(29)	(2)%
Operating costs and expenses				
Costs of revenue (excluding depreciation and amortization)	1,159	1,149	(10)	(1)%
General and administrative expenses	84	101	17	20%
Depreciation and amortization	35	31	(4)	(11)%
Deferred contract cost	6	5	(1)	(17)%
Gain on pension plan	(6)	(9)	3	50%
Total operating costs and expenses	1,278	1,277	(1)	0%
Income from operations	127	99	(28)	(22)%
Interest expense	77	81	4	5%
Debt extinguishment costs	7	4	(3)	(43)%
Other, net	(2)	—	2	100%
Investment gain	—	(3)	3	100%
Income before income taxes and equity in net losses of affiliate ...	45	17	(28)	(62)%
Income tax expense (benefit)	25	(10)	(35)	(140)%
Income before equity in net losses of affiliate	20	27	7	35%
Equity in net losses of affiliate	—	1	1	100%
Net income	\$ 20	\$ 26	\$ 6	30%

Revenue

Revenue for the year ended December 31, 2017 decreased by approximately \$29 million, or 2%, as compared to the year ended December 31, 2016. These decreases were primarily driven by lower volume on a recompile contract that was split into multiple awards with reduced scope. This resulted in a reduction of revenue year-to-date of approximately \$64 million. Vencore also experienced a decline in revenue as a result of certain contracts ending, which was partially offset by expansion on existing programs, as well as an increase in revenue from new business of approximately \$39 million, derived from its DHS USCIS JETS contract, U.S. Cyber Command ("USCYBERCOM") contract, SETS contract, a new contract with DARPA and a contract with a classified customer.

Costs of Revenue

Costs of revenue for the year ended December 31, 2017 decreased by \$10 million, or 1%, as compared to the year ended December 31, 2016. This reduction was primarily associated with the reduction in revenue, offset by an increase in costs as a result of hiring initiatives within Vencore's background investigation services. Costs of revenue as a percentage of revenue was 84% and 82% for the year ended December 31, 2017 and December 31, 2016, respectively. This increase was primarily due to the hiring initiatives mentioned above, with timing differences between these costs incurred and the revenue Vencore anticipates to generate from these hiring initiatives.

General and Administrative Expense

General and administrative expenses for the year ended December 31, 2017 increased by approximately \$17 million, or 20%, as compared to the year ended December 31, 2016. The year ended December 31, 2017 included approximately \$13 million of one-time costs associated with Vencore's preparation for an initial public offering (IPO) and merger activities. Excluding these one-time costs, the general and administrative expenses for the period increased by \$4 million due to higher share-based compensation of \$4 million, \$1 million in pension remeasurement, offset by lower legal expense of \$1 million.

Depreciation and Amortization

Depreciation and amortization for the year ended December 31, 2017 decreased by approximately \$4 million, or 11%, as compared to the year ended December 31, 2016. This decrease was primarily due to the expiration of a purchased intangible contract related to Vencore's background investigation services at the end of 2016.

Deferred Contract Costs

Deferred contract costs for the year ended December 31, 2017 decreased by approximately \$1 million, or 17%, as compared to the year ended December 31, 2016. This decrease was primarily due to the internal restructuring costs that were incurred and deferred in 2013 and are now fully amortized.

Gain on Pension Plan

Vencore recorded non-cash gains of approximately \$9 million and \$6 million in respect of its pension plan for the year ended December 31, 2017 and December 31, 2016, respectively. Gain on pension plan for the year ended December 31, 2017 increased by approximately \$3 million, or 50% as compared to the year ended December 31, 2016. In 2016, Vencore incurred settlement charges of approximately \$4 million attributable to certain lump sum payouts which resulted in a lower gain. These non-cash gains on Vencore's pension plan are based on an annual actuarial valuation.

Interest Expense

Interest expense for the year ended December 31, 2017 increased by approximately \$4 million, or 5% as compared to the year ended December 31, 2016. This increase was primarily driven by higher interest expense of \$5 million due to higher debt balance and higher deferred financing fees and discount amortization of \$2 million for the year ended December 31, 2017, offset by the debt refinancing costs of \$3 million that were incurred in the prior year.

Debt Extinguishment Costs

Debt extinguishment costs for the year ended December 31, 2017 decreased by \$3 million or 43% as compared to the year ended December 31, 2016. Vencore recorded a one-time debt extinguishment costs of \$7 million in June 2016 due to the refinancing of the Vencore Holding Corp. debt. Vencore also recorded a one-time debt extinguishment costs of \$4 million in April 2017 due to the refinancing of the KGS Holding Corp. debt.

Investment gain

Vencore recorded an investment gain of approximately \$3 million for the year ended December 31, 2017 from its investment in HVH. Vencore recorded a gain based on the value of the assets it contributed, which had been expensed in prior periods, in exchange for a 50% ownership in HVH.

Income Tax Expense

Vencore recorded an income tax benefit of approximately \$10 million for the year ended December 31, 2017, as compared to an income tax expense of approximately \$25 million for the year ended December 31, 2016. Vencore's effective tax rate ("ETR") for the year ended December 31, 2017 was (59)% as compared to 56% for the year ended December 31, 2016. The decrease in ETR was primarily attributable to the Tax Cuts and Jobs Act of 2017 (the "Act") signed into law on December 22, 2017, which reduced the U.S. federal income tax rate from 35% to 21% effective for tax years beginning after December 31, 2017. Under U.S. GAAP, changes in tax rates and tax law are accounted for in the period of enactment and deferred tax assets and liabilities are measured at the enacted tax rate.

Equity in Net Losses of Affiliate

Equity in net losses of affiliate in the amount of approximately \$1 million represents Vencore's share of the operating losses of HVH.

Year ended December 31, 2016, compared to year ended December 31, 2015

(\$ in thousands)	Year Ended December 31,		Fiscal 2016 Compared to Fiscal 2015	
	2015	2016	\$ Change	% Change
Revenue	\$1,399	\$1,405	\$ 6	0%
Operating costs and expenses				
Costs of revenue (excluding depreciation and amortization)	1,162	1,159	(3)	0%
General and administrative expenses	89	84	(5)	(6)%
Depreciation and amortization	36	35	(1)	(3)%
Gain on contingent consideration	(8)	—	8	100%
Deferred contract cost	3	6	3	100%
Gain on pension plan	(1)	(6)	5	500%
Total operating costs and expenses	1,281	1,278	(3)	0%
Income from operations	118	127	9	8%
Interest expense	75	77	2	3%
Debt extinguishment costs	—	7	7	100%
Other, net	(1)	(2)	1	100%
Income before income taxes and equity in net losses of affiliate	44	45	1	2%
Income tax expense	21	25	4	19%
Net income	\$ 23	\$ 20	(3)	(13)%

Revenue

Revenue for the year ended December 31, 2016 increased by approximately \$6 million, or 0%, as compared to the year ended December 31, 2015. This was driven by \$41 million of growth on existing contracts and \$38 million for new contract wins. These increases were partially offset by a decline in revenue of approximately \$35 million from one re-compete project, which was awarded at a reduced scope. There was also an additional decline of approximately \$39 million in revenue as a result of programs ending and declines in revenue from non-core programs, which Vencore defines as contracts from its acquisition of QNA SSG that Vencore expected to end and decided not to re-compete at the time of the acquisition. The decline in revenue from non-core programs represented \$7 million and Vencore does not believe the termination of these non-core programs will have a significant impact to its future results of operations and financial position.

Costs of Revenue

Costs of revenue for the year ended December 31, 2016 decreased by \$3 million, or 0%, as compared to the year ended December 31, 2015. Cost as a percentage of revenue was 82% for the year ended December 31, 2016, compared to 83% for the year ended December 31, 2015. Vencore experienced an increase in direct labor and an offsetting decrease in subcontractor labor, which contributed to higher profitability in 2016, but this was offset by lower margins from its new wins and re-compete contracts. Vencore also experienced increased profitability on a firm-fixed contract, as a result of operational efficiencies within its background investigation services.

General and Administrative Expense

General and administrative expenses for the year ended December 31, 2016 decreased by approximately \$5 million, or 6%, as compared to the year ended December 31, 2015. Vencore experienced cost efficiencies from restructuring efforts that were initiated subsequent to the QNA SSG acquisition in May 2014. During the year ended December 31, 2016, Vencore fully integrated the QNA SSG business into the existing business and streamlined corporate functions in order to achieve cost efficiencies and synergies. For the year ended December 31, 2016, Vencore reduced the average indirect employee headcount by 16% as compared to the year ended December 31, 2015.

Depreciation and Amortization

Depreciation and amortization for the year ended December 31, 2016 decreased by approximately \$1 million, or 3%, as compared to the year ended December 31, 2015. This decrease was primarily a result of a decrease in its purchased intangible assets.

Gain on Settlement of Contingent Consideration

At the date of acquisition, management determined the fair value of the QNA SSG contingent consideration to be approximately \$5 million. As of December 31, 2014, the fair value of this contingent consideration was valued at \$18 million, resulting in a \$13 million expense. In the year ended December 31, 2015, Vencore settled and paid contingent consideration in the amount of \$10 million, representing a gain of \$8 million. The change in estimate was primarily due to the delay or cancelation of previously forecasted new business. This was a non-recurring transaction, and no further contingent consideration related to the QNA SSG acquisition is or will be payable.

Deferred Contract Costs

Beginning in the year ended December 31, 2014, Vencore implemented restructuring activities to eliminate redundant employees, capabilities and certain leased and owned facilities. A portion of these restructuring costs were deferred based upon an agreement with the U.S. government in order to be allocated to contracts in future periods. These costs are therefore being amortized by Vencore over a period of three to five years. For the year ended December 31, 2016, the amount amortized was \$6 million as compared to \$3 million for the year ended December 31, 2015. The amount amortized increased for the year ended December 31, 2016 as more costs were capitalized in the year ended December 31, 2015, which were then amortized over a full 12 month period in the year ended December 31, 2016.

Gain on Pension Plan

Vencore recorded gains of approximately \$6 million and \$1 million in respect of its pension plan for the years ended December 31, 2016 and 2015, respectively. This represented the non-cash gains on Vencore's pension plan based on the annual actuarial valuation.

Interest Expense and Debt Extinguishment Costs

Interest expense for the year ended December 31, 2016 increased by approximately \$2 million, or 3%, as compared to the year ended December 31, 2015. Vencore refinanced certain of its loans on June 17, 2016 to include term loan increases of \$182 million and \$129 million. A portion of the borrowings under certain of its loans were used to retire an aggregate principal amount of \$175 million of Vencore's senior subordinated notes. Vencore paid fees of \$21 million to lenders and third parties in connection with its refinancing. Out of the \$21 million, \$5 million was expensed in the period, \$1 million was added to the deferred financing fees balance and the remaining \$15 million was added to the loan discount. The retirement of the senior subordinated notes resulted in one-time fees totaling \$7 million which were recognized as debt extinguishment costs for the year ended December 31, 2016. There were no debt extinguishment or issuance costs for the year ended December 31, 2015.

Income Tax Expense

Income tax expense for the year ended December 31, 2016 increased by \$4 million, or 19%, as compared to the year ended December 31, 2015. This increase was primarily due to deferred taxes. Vencore's ETR was 56% and 48% for the years ended December 31, 2016 and 2015, respectively. A reconciliation of the differences between the U.S. federal statutory rate and Vencore's ETR, as well as other information about its income tax provision, is provided in "Note 16—Income Taxes" in the notes to Vencore's combined financial statements included elsewhere in this Information Statement.

Liquidity and Capital Resources

Vencore financed its operations and capital expenditures through a combination of internally generated cash from operations and from borrowings under our credit facilities. Vencore had \$76 million, \$66 million and \$95 million in cash and cash equivalents as of December 31, 2015, 2016 and 2017, respectively. Vencore's long-term debt amounted to \$772 million, \$878 million and \$971 million as of December 31, 2015, 2016 and 2017, respectively. Vencore's debt bears interest at specified rates and is held by a syndicate of lenders. See "Note 18—Long-term Debt and Interest Rate Swap" in the notes to Vencore's combined financial statements included elsewhere in this Information Statement for further details. In connection with the Mergers, Vencore will repay all outstanding amounts under its credit facilities and any other outstanding debt obligations.

Dividends

In June 2016, in connection with Vencore's debt refinancing, it used a portion of the borrowings to declare and pay a one-time cash liquidating dividend in the amount of \$183 million to Parent LLC as the sole holder of record of its outstanding common stock. In April 2017, in connection with its debt refinancing, Vencore used a portion of the borrowings to declare and pay a one-time cash liquidating dividend in the amount of \$103 million to the parent company of KGS Holding Corp. as the sole holder of record of KGS Holding Corp.'s outstanding common stock.

Cash Flows

Cash received from clients, either from the payment of invoices for work performed or for advances in excess of revenue recognized, has been Vencore's primary source of cash. Billing timetables and payment terms on Vencore's contracts vary based on a number of factors, including whether the contract type is cost-reimbursable, time-and-materials, or fixed-price. Vencore generally bills and collects cash more frequently under cost-reimbursable and time-and-materials contracts, as it is authorized to bill as the costs are incurred or work is performed. In contrast, Vencore may be limited to bill certain fixed-price contracts only when specified milestones, including deliveries, are achieved.

Accounts receivable is the principal component of Vencore's working capital and is generally driven by revenue growth. Accounts receivable reflects amounts billed to Vencore's clients as of each balance sheet date

and receivable amounts that are currently due but unbilled. Vencore's clients generally pay its invoices within 30 days of the invoice date. The total amount of Vencore's accounts receivable can vary significantly over time, but is generally sensitive to revenue levels.

The following table summarizes Vencore's sources and uses of cash over the periods indicated:

(\$ in millions)	Year Ended December 31,		
	2015	2016	2017
Net cash provided by operating activities	\$ 65	\$ 98	\$ 62
Net cash provided by (used in) investing activities	16	(15)	(8)
Net cash used in financing activities	(48)	(93)	(25)
Total increase (decrease) in cash and cash equivalents	\$ 33	\$(10)	\$ 29

Operating Activities

Net cash provided by (used in) operating activities consist of net income (loss) adjusted for noncash items, such as: depreciation and amortization of property and equipment and intangible assets, deferred income taxes, share-based compensation, amortization of debt issuance costs, amortization of deferred contract costs and changes in net working capital assets and liabilities. The timing between the conversion of Vencore's billed and unbilled receivables into cash from its customers and disbursements to its employees and vendors is the primary driver of changes in its working capital. Vencore's operating cash flows are primarily affected by its ability to invoice and collect from its clients in a timely manner, its ability to manage vendor payments and the overall profitability of its contracts.

Net cash provided by operating activities was \$62 million for the year ended December 31, 2017, as compared to net cash provided by operating activities of \$98 million for the year ended December 31, 2016. The \$36 million decrease in net cash provided by operating activities was primarily due to lower income and timing differences related to customer and vendor payments.

Net cash provided by operating activities was \$98 million for the year ended December 31, 2016, as compared to \$65 million for the year ended December 31, 2015. The \$33 million increase was primarily due to higher income, timing of Vencore's employee and vendor payments, partially offset by the timing of customer payments for the year ended December 31, 2016 as compared to the year ended December 31, 2015.

Investing Activities

Net cash provided by (used in) investing activities consists of the cash flows associated with capital expenditures, business acquisitions and/or dispositions, acquisitions and/or dispositions of property and equipment, payments made to our deferred compensation plans and proceeds from/investment in company owned life insurance plan.

Net cash used in investing activities was \$8 million for the year ended December 31, 2017, as compared to net cash used in investing activities of \$15 million for the year ended December 31, 2016. The \$7 million decrease in net cash used in investing activities was mainly due to the proceeds from the sale of investments in Company owned life insurance plans supporting Vencore's deferred compensation plans, and less capital expenditures that occurred in the year ended December 31, 2017.

Net cash used in investing activities was \$15 million for the year ended December 31, 2016, as compared to net cash provided by investing activities of \$16 million for the year ended December 31, 2015. The \$31 million decrease in net cash provided by investing activities was due to a \$25 million decrease in restricted cash as a result of the settlement of Vencore's contingent consideration payment related to the QNA SSG acquisition and lower proceeds from sale of a building.

Financing Activities

Net cash provided by (used in) financing activities is primarily associated with proceeds from debt and the repayment thereof.

Net cash used in financing activities was \$25 million for the year ended December 31, 2017, as compared to net cash used in financing activities of \$93 million for the year ended December 31, 2016. The \$68 million decrease in net cash used in financing activities resulted from a special liquidating dividend paid to Parent LLC of \$103 million comparing to \$183 million dividend paid in the same period ended December 31, 2016, payments of long term debt amount of \$127 million comparing to \$202 million paid in the same period ended December 31, 2016, and payment of debt issuance and extinguishment costs of \$9 million comparing to \$18 million paid in the same period ended December 31, 2016, which were partially offset by a \$215 million increase in borrowings under one of Vencore's first liens comparing to \$311 million increase in the same period ended December 31, 2016.

Net cash used in financing activities was \$93 million for the year ended December 31, 2016, as compared to net cash used in financing activities of \$48 million for the year ended December 31, 2015. The \$45 million increase in net cash used in financing activities resulted from a special liquidating dividend paid to Parent LLC of \$183 million (no such dividend payments were made in the year ended December 31, 2015), payments to extinguish an aggregate principal amount of \$175 million of Vencore's senior subordinated notes, and payment of debt issuance and extinguishment costs of \$18 million, which were partially offset by a \$311 million increase in borrowings under one of Vencore's first lien credit agreements and one of its second lien credit agreements.

Qualitative and Quantitative Disclosure about Market Risk

Interest Rate Risk

To manage the risk from interest rate fluctuations due to the floating interest rates under Vencore's term loans, Vencore entered into an interest rate swap of \$175 million. A 1% increase in interest rates applied to Vencore's floating rate indebtedness would increase annual interest expense by approximately \$8 million, before giving effect to its interest rate swap.

Off-Balance Sheet Arrangements

Vencore had \$0.2 million of outstanding letters of credit under its revolving credit facility as of December 31, 2017. Vencore had no other off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on its financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

The following table summarizes Vencore's contractual obligations that require it to make future cash payments as of December 31, 2017 on a historical basis. For contractual obligations, the below includes payments that Vencore has an unconditional obligation to make.

In the normal course of business, Vencore enters into agreements with subcontractors and vendors to provide products and services that it consumes in its operations or that are delivered to its clients. These products and services are not considered unconditional obligations until the products and services are actually delivered, at which time Vencore records a liability for its obligation.

<u>Contractual obligations</u>	<u>Payments Due by Period</u>				
	<u>Total</u>	<u>Less Than 1 Year</u>	<u>1 to 3 Years</u>	<u>3 to 5 Years</u>	<u>More Than 5 Years</u>
Long-term debt (1)	\$ 993	\$ 23	\$814	\$ 43	\$113
Interest obligations (1)	198	74	92	21	11
Operating lease obligations (2)	91	23	43	21	4
Pension obligations (3)	33	—	12	19	2
Capital lease obligations (2)	3	1	2	—	—
Total contractual obligations (4)	<u>\$1,318</u>	<u>\$121</u>	<u>\$963</u>	<u>\$104</u>	<u>\$130</u>

- (1) See “Note 18—Long-term Debt and Interest Rate Swap” in the notes to Vencore’s combined financial statements included elsewhere in this Information Statement for additional information regarding debt and related matters.
- (2) See “Note 20—Commitments and Contingencies” in the notes to Vencore’s combined financial statements included elsewhere in this Information Statement for additional information regarding commitments and contingencies.
- (3) See “Note 19—Postretirement Plans” in the notes to Vencore’s combined financial statements included elsewhere in this Information Statement for additional information regarding postretirement plans.
- (4) The table above does not include \$2 million of uncertain tax positions reflected in Vencore’s combined balance sheet because it is fully indemnified for such tax obligations pursuant to the QNA SSG purchase agreement. See “Note 16—Income Taxes” in the notes to Vencore’s combined financial statements included elsewhere in this Information Statement for additional information regarding income taxes.

Capital Expenditures

Since Vencore does not own any of its facilities, its capital expenditure requirements primarily relate to the purchase of computers, business systems, furniture and leasehold improvements to support its operations. Direct costs billed to clients are not treated as capital expenses. Vencore’s capital expenditures for the year ended December 31, 2017 and 2016 were \$9 million and \$11 million, respectively. The majority of such capital expenditures related to facilities infrastructure, equipment and IT. Expenditures for facilities infrastructure and equipment are generally incurred to support new and existing programs across Vencore’s business. Vencore also incurs capital expenditures to support programs and general enterprise IT infrastructure.

Commitments and Contingencies

Vencore is subject to certain claims and assessments that arise in the ordinary course of business. Vencore records a liability when it believes that it is both probable that a loss has been incurred and the amount can be reasonably estimated. Vencore management’s judgment is required to determine the outcome and the estimated amount of a loss related to such matters. Vencore management believes that there are no claims or assessments outstanding which would materially affect Vencore’s combined results of operations or its financial position.

Recent Accounting Pronouncements

See the information set forth in “Note 2—Significant Accounting Policies” in the notes to Vencore’s combined financial statements included elsewhere in this Information Statement.

Critical Accounting Estimates and Policies

The preparation of Vencore's financial statements in accordance with GAAP requires it to make use of certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenue and expenses during the reporting period. These estimates are based on Vencore's historical experience and on various other assumptions that it believes are reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

In "Note 2—Significant Accounting Policies" in the notes to Vencore's combined financial statements included elsewhere in this Information Statement, there is a discussion of the significant accounting policies used in the preparation of Vencore's combined financial statements. Vencore believes that the following items are the most critical accounting policies and estimates that involved significant judgment in connection with the preparation of its financial statements.

Revenue Recognition

Substantially all of Vencore's revenue is derived from contracts to provide professional services to the U.S. government and its agencies.

Revenue on cost-reimbursable contracts is recognized as services are performed, generally based on the allowable costs incurred during the period plus any recognizable earned fee. Vencore considers fixed fees under cost-reimbursable contracts to be earned in proportion to the allowable costs incurred in performance of the contract. For cost-reimbursable contracts that include performance-based fee incentives, which are principally award fee arrangements, Vencore recognizes income when such fees are probable and estimable, and the fees are recognized throughout the term of the contract in proportion to the allowable costs incurred. Estimates of the total fee to be earned are made based on contract provisions, prior experience with similar contracts or customers and management's evaluation of the performance on such contracts. Contract costs, including indirect expenses, are subject to audit by the DCAA and, accordingly, are subject to possible cost disallowances.

Revenue on fixed unit price contracts, where specified units of output under service arrangements are delivered, is recognized when realized or realizable and earned, as units are delivered based on the specified price per unit. Delivery is represented by the final submission of the completed case (a "case" being defined as the total amount of work required to complete the background investigation as requested by the customer) in accordance with the contract. Vencore considers the case to be the unit of account.

For time-and-materials contracts, revenue is recognized at the contractual hourly rates for the hours performed during the period. For fixed-price contracts, revenue is primarily recognized using the percentage-of-completion method based on actual costs incurred relative to total estimated costs for the contracts, which are recorded using the cost-to-cost method. Vencore bases its estimates on the scope of the work being performed, its historical experience performing similar work and the risks and uncertainties surrounding that work. These estimates are adjusted throughout the performance of the contract as work is completed. Historically, Vencore's actual results have not differed materially from its estimates and it does not believe it is reasonably likely that the estimates and related assumptions will change materially in the foreseeable future. Vencore considers the principal versus agent accounting guidance to determine if revenue should be recognized gross or net of the associated costs. Applying the principal versus agent accounting guidance is a matter of judgment based on the consideration of several factors and indicators.

Business Combinations, Goodwill and Intangible Impairment

The accounting for Vencore's business combinations consists of allocating the purchase price to tangible and intangible assets acquired and liabilities assumed based on their fair values, with the excess recorded as

goodwill. Certain fair value measurements include inputs that are unobservable, requiring management to make judgments and estimates that can be affected by contract performance and other factors over time, which may cause final amounts to differ materially from original estimates.

Goodwill and intangible assets are generally acquired in conjunction with a business combination using the acquisition method of accounting. The acquisition method requires that the total purchase price of the acquired entity be allocated to the assets acquired and liabilities assumed based on their fair values at the acquisition date. Assets acquired include intangible assets such as customer relationships, trade names and contractual rights, and liabilities assumed include contractual commitments and contingencies. Any premium paid over the fair value of the net assets and liabilities acquired is recorded as goodwill. Determining the fair value of the assets and liabilities acquired involves significant estimates and judgments by Vencore's management. Vencore's management typically engages a third-party valuation specialist to assist in the identification and valuation of these assets and liabilities. Valuing the assets and liabilities of a business generally involves the use of the market approach, income approach and cost approach.

Finite-lived intangible assets such as customer relationships assets and developed technology are amortized over their estimated useful lives, which represents the period of expected economic benefit, generally on a straight-line basis for periods ranging from seven to ten years. Estimating the useful life of finite-lived intangible assets requires Vencore management's judgment. Vencore's management bases its judgment on historical experience and the assumptions and inputs used in initially valuing the assets. Assumptions and inputs used in determining customer relationships and trade name values include estimating future cash flows, profitability, discount rates and customer attrition rates. The useful life of developed technology is based on Vencore management's estimates of market trends. Finite-lived intangible assets are reviewed for impairment or obsolescence whenever events or circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of intangible assets is measured by comparing the carrying amount of the asset to the future undiscounted net cash flows expected to be generated by that asset. If the asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value. No impairment of finite-lived intangible assets was recognized for any of the periods presented.

Vencore and Keypoint test goodwill for impairment at least annually on October 31 and September 30, respectively. The impairment assessment considers qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. In performing this qualitative assessment, Vencore assesses relevant events and circumstances that may impact the fair value and the carrying amount of each reporting unit. Factors that are considered include, but are not limited to, the following: (1) macroeconomic conditions; (2) industry and market conditions; (3) overall financial performance and expected financial performance; (4) other entity specific events, such as changes in management or key personnel; and (5) events affecting Vencore's reporting units, such as a change in the composition of net assets or any expected dispositions.

If after assessing the qualitative factors, Vencore determines that it is more likely than not that the fair value of a reporting unit is less than its carrying value, goodwill is considered impaired. The fair value of a reporting unit is determined by using a combination of the discounted cash flow approach and the market approach. The significant estimates and assumptions utilized in the fair value estimate include revenue and margin projections, working capital requirements, capital expenditures, terminal growth rates, discount rates and the selection of peer company multiples. As of October 31, 2017 and 2016, the fair value of Vencore's reporting units substantially exceeded its carrying value and therefore no reporting units were at risk of failing the assessment described above.

Similar to goodwill, indefinite-lived-intangible assets other than goodwill are assessed annually on October 31, or more frequently if necessary, for impairment. The impairment assessment first considers qualitative factors to determine whether events and circumstances indicate that it is more likely than not that an

indefinite-lived intangible asset is impaired, including, but not limited to, the following: (1) the performance of the underlying business related to each trade name, (2) the use of the trade names to market to customers and transact with vendors and (3) the expectation that the trade names will continue to be used going forward. If after assessing the qualitative factors, Vencore determines that it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying value, then it will write-down the value of the intangible asset to its fair value. The fair value of an indefinite-lived intangible asset is determined using the relief from royalty method. The significant estimates and assumptions utilized in the fair value estimates include revenue projections, the royalty rate and the weighted average cost of capital.

Share-Based Compensation

Vencore recognizes share-based compensation expense in accordance with the provisions of ASC Topic 718, *Compensation—Stock Compensation* (“ASC Topic 718”). Vencore measures and recognizes share-based compensation expense for all share-based awards made to employees and directors using fair value methods over the requisite service period. The awards are re-measured each reporting period with the resulting increase or decrease to compensation expense and liability based on the pro rata portion of the fair value on the balance sheet date. The fair value of Vencore’s liability awards is determined based on an external valuation prepared contemporaneously and approved by Vencore’s management and reviewed by its board of directors.

Critical inputs into the option-pricing model include: projected financial information; terminal value; discount rate; total equity value; “break points” at which various share classes begin participating; time to liquidity; volatility; risk-free interest rate; and discounts or adjustments made to fair value indications to reflect the rights of the holder.

KGS Holding Corp. has not recognized any incentive bonus awards compensation costs as the share-based awards issued to management of KGS Holding Corp. is subject to performance conditions based on events that result in a change in control, in which case compensation costs will be recognized over the requisite service period only if the events are probable of occurring. Vencore has consistently followed the definition of “probable” as defined in ASC 718, relating to the change in control provisions and deemed that it is not probable of the event to occur.

Equity Investments

Investments in joint ventures where Vencore has a non-controlling ownership interest representing not more than 50% and over which Vencore has the ability to exercise significant influence, are accounted for under the equity method of accounting whereby Vencore recognizes its proportionate share of the entities’ net income or loss and does not consolidate the entities’ assets and liabilities.

Equity investments in entities over which Vencore does not have the ability to exercise significant influence and whose securities do not have a readily determinable fair value are carried at cost.

Vencore accounts for its share of earnings or losses using the equity method of accounting whereby it recognizes its share of earnings or losses of the joint venture in the periods for which they are reported by the joint venture in its financial statements. Vencore applies the cumulative earnings approach and classifies cash inflows and outflows as operating activities unless its cumulative distributions exceed cumulative equity in earnings recognized by Vencore (as adjusted for amortization of basis differences). When such an excess occurs, the current-period distribution up to this excess is considered a return of investment and is classified as cash inflows from investing activities.

Accounting for Income Taxes

Deferred taxes are calculated using the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are

recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of Vencore's management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The assessment of future realization of deferred tax assets requires Vencore management's judgment. Based on Vencore's prior year net operating losses, the inability to carry back net operating losses to reduce taxable income in prior years, future deductions for amortization of indefinite-lived intangibles and the future reversal of temporary differences that will not generate sufficient net taxable income to utilize the cumulative net operating losses, a valuation allowance has been recorded against a significant portion of Vencore's deferred tax assets as it is more likely than not that the tax benefit will not be realized. Deferred tax assets and liabilities are presented based on the tax rates currently in effect and adjusted for changes in tax laws and rates on the date of enactment.

Vencore evaluates its tax positions under a more-likely-than-not recognition threshold and measurement analysis before they can be recognized for financial statement reporting. Identifying and evaluating the likely outcome of tax positions requires Vencore management's judgment. Uncertain tax positions have been classified as current or noncurrent income tax liabilities based on the expectation of whether they will be paid in the next 12 months. Vencore's policy for interest and penalties related to income tax exposure is to recognize interest and penalties as a component of the income taxes on continuing operations in Vencore's combined statements of operations.

LIQUIDITY AND CAPITAL RESOURCES FOLLOWING THE TRANSACTIONS

The following discussion and analysis is intended to help prospective investors understand our liquidity and capital resources following the transactions. You should read this discussion in conjunction with our combined financial statements and related notes thereto included elsewhere in this Information Statement.

The statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in “Risk Factors” and “Special Note Regarding Forward-Looking Statements.” Actual results may differ materially from those contained in any forward-looking statements.

Liquidity

As of December 31, 2017, on a pro forma basis, we would have had indebtedness with a total principal amount of \$2.8 billion outstanding. Furthermore, the terms of our indebtedness allow us to borrow substantial additional debt, including additional secured debt. In addition, Enterprise Services, a subsidiary of Perspecta following the Internal Reorganization, will retain contractual capitalized lease obligations with an aggregate outstanding balance of up to \$300 million, net of expected off-setting cash payments due from DXC. In addition, approximately \$66 million in principal amount of the outstanding EDS Notes are expected to remain outstanding at Enterprise Services, with any additional amounts to reduce the cash distribution to be received by DXC.

While we are actively pursuing alternative financing under the supplemental Term Loan B Facility (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations of USPS—Liquidity and Capital Resources”), there can be no assurance that we will enter into such Term Loan B Facility. Assuming we do not enter into the Term Loan B Facility, on a pro forma basis, we would have had \$351 million of borrowing capacity under the New Revolving Credit Facility as of December 31, 2017.

Cash balances

As of December 31, 2017, on a pro forma basis, we would have had cash and cash equivalents of \$95 million and \$243 million of total current indebtedness including the current portion of capital leases. We believe that our cash generated by operations, together with available borrowings under the New Term Facility and the New Revolving Credit Facility, will be sufficient to meet our liquidity needs for the foreseeable future.

Capital expenditures

After consummation of the Spin-Off and the Mergers, we expect our capital expenditures to primarily relate to the expenditures necessary (i) on behalf of our customers to operate our businesses and (ii) to implement our contemplated integration activities. The actual level of capital expenditures will ultimately depend on the extent to which we are successful in integrating the businesses following the Spin-Off and the Mergers, our ability to maintain our financial performance and other factors outside of our control. On a pro forma basis, we would have had \$18 million of capital expenditures during the last twelve months ended December 31, 2017.

DESCRIPTION OF MATERIAL INDEBTEDNESS

Term Loan Facilities and Revolving Credit Facility

Perspecta intends to obtain financing in connection with the Spin-Off and Mergers under various credit facilities as follows: (a) a three-year senior secured term loan A credit facility in an aggregate principal amount of up to \$550 million (the “Tranche A1 Term Facility”), (b) a five-year senior secured term loan A credit facility in an aggregate principal amount of up to \$1,685 million (the “Tranche A2 Term Facility” and, together with the Tranche A1 Term Facility, the “Term Loan A Facilities”) and (c) a five-year senior secured revolving credit facility in an aggregate principal amount of up to \$600 million (the “Revolving Credit Facility” and, together with the Term Loan A Facilities, the “Facilities”), with \$249 million under the Revolving Credit Facility assumed to be drawn on or about the closing date of the Spin-Off and the Mergers. The Facilities will be provided by a syndicate of banks arranged by The Bank of Tokyo-Mitsubishi UFJ, Ltd. (“BTMU”), Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A. and RBC Capital Markets, with BTMU as the administrative agent. Additionally, Perspecta has the option, in its sole discretion, to incur a senior secured term B loan facility in an aggregate principal amount of up to \$500 million, which incurrence shall reduce the commitments under the Term Loan A Facilities ratably on a dollar-for-dollar basis. Borrowings under the Facilities will be used to fund the Perspecta Payment, to repay, refinance and/or redeem substantially all of Perspecta’s existing indebtedness, to pay transaction costs, and for general corporate purposes.

The anticipated material terms of the Facilities are described below based on our current expectations. The actual capital raised, including both the aggregate size and the individual tranche size, the interest rates and other material terms may change based on future market conditions.

Interest. Borrowings under (1) the Revolving Credit Facility and the Tranche A2 Term Facility are expected to bear interest at a rate per annum equal to, at our option, (A) LIBOR plus an applicable margin of 1.250%-2.250% or (B) the base rate plus an applicable margin of 0.250%-1.250%, and (2) the Tranche A1 Term Facility is expected to bear interest at a rate per annum equal to, at our option, (A) LIBOR plus an applicable margin of 1.125%-2.125% or (B) the base rate plus an applicable margin of 0.125%-1.125%. The applicable margins with respect to borrowings under the Facilities will vary and will be determined based on the ratio of our consolidated total net debt to our consolidated EBITDA. We will also be obligated to pay unused facility fees on the undrawn portion of the Revolving Credit Facility and upfront fees with respect to the Facilities.

Amortization and Prepayment. Borrowings under the Revolving Credit Facility may be borrowed, prepaid and re-borrowed at any time prior to maturity. The Tranche A1 Term Facility has no scheduled amortization prior to maturity. The Tranche A2 Term Facility requires quarterly scheduled amortization at a rate equivalent to 5% of the original principal amount per annum until the remaining balance is due at maturity. The Term Facilities may be prepaid, in whole or in part, at any time at our election at 100% of par without premium.

Security and Guarantees. The Facilities will be guaranteed by each of our direct and indirect, existing and future, material domestic subsidiaries (excluding certain entities, including special purpose subsidiaries), and will be secured by a perfected first-priority security interest in substantially all of our assets and the assets of those guarantors, subject to certain customary exceptions.

Covenants. The Facilities will contain negative covenants customary for financings of this type, including limitations on the incurrence of indebtedness; the creation of liens; the payment of dividends; sales of assets; fundamental changes, including mergers and acquisitions; loans and investments; negative pledges; transactions with affiliates; restrictions affecting subsidiaries; modification to charter documents in a manner materially adverse to the lenders; changes in fiscal year and limitations on conduct of business. The Facilities will also contain affirmative covenants and representations and warranties customary for financings of this type.

In addition, the Facilities will contain financial covenants, including covenants requiring, as at the end of, and for, each fiscal quarter of Perspecta ending after the date of the initial borrowing under the facilities (the

“Funding Date”), (a) a ratio of consolidated total net debt to consolidated EBITDA not in excess of 4:50:1:00, stepping down to no less than 3.75: 1.00 no later than the first full fiscal quarter ending at least 18 months after the Funding Date and (b) a ratio of consolidated EBITDA to interest expense not less than 3.00:1.00.

The calculation of consolidated EBITDA will, through the end of the fiscal quarter ended March 31, 2019, include addbacks for pro forma adjustments related to modifications to the 2011 contract with the United States Office of Personnel Management in an amount not to exceed (a) in any trailing four-fiscal quarter period, \$25,000,000 or (b) in the aggregate, excluding any cost savings, expense reductions and synergies of the type that would be permitted to be included in pro forma financial statements prepared in accordance with Regulation S-X, \$75,000,000. Additionally, the calculation of consolidated EBITDA will permit uncapped addbacks for cost savings, operating expense reductions and synergies resulting from or related to the acquisitions of Vencore and Keypoint, as well as future mergers and other business combinations, acquisitions, divestitures, restructurings, cost savings initiatives and other similar initiatives, in each case, to the extent such cost savings, operating expense reductions and synergies are expected to be realized within the twelve months following the most recently ended fiscal quarter.

Events of Default. The lenders under the Facilities may declare any indebtedness outstanding thereunder due and payable, and terminate any remaining commitment under the Revolving Credit Facility, if an event of default occurs and is continuing, including a failure to pay principal when due or interest or commitment fees within five days of the date when due; a material inaccuracy of a representation or warranty at the time made; a bankruptcy event; a failure to comply with the covenants, subject to a customary grace period; cross-events of default to material indebtedness; certain material ERISA events; material judgments; actual or asserted invalidity of any guarantee or non-perfection of any material portion of the collateral under the security documents; a change in control; and a breach of the financial covenants.

Accounts Receivable Facility

Enterprise Services, an entity that will be a wholly-owned subsidiary of Perspecta following the Internal Reorganization, is party to a Master Accounts Receivable Purchase Agreement (the “MARPA”), among Enterprise Services, The Bank of Tokyo Mitsubishi UFJ, Ltd., New York Branch (“BTMU”), as administrative agent (the “Agent”), and BTMU, The Bank of Nova Scotia and Mizuho Bank, Ltd., as purchasers (collectively, the “Purchasers”). Concurrently, DXC entered into a guaranty (the “MARPA Guaranty”) made in favor of the Agent that guarantees the obligations of Enterprise Services. The structured transaction results in the continuous non-recourse true sale of eligible receivables.

The MARPA establishes a federal government obligor receivables purchase facility (the “MARPA Facility”) that provides for up to \$300 million (the “MARPA Facility Limit”) in funding based on the availability of eligible receivables and the satisfaction of certain conditions. The MARPA Facility is a committed facility that has an initial term of one year, unless terminated earlier by Enterprise Services, or following the occurrence of certain facility suspension events, the Agent or the Purchasers. The MARPA also provides for optional extensions of the MARPA Facility’s term, if agreed to by the Purchasers, in each case for an additional six month duration. Each such extension may be requested as early as 210 days prior to, and not less than sixty days prior to, the then scheduled termination date.

Under the MARPA Facility, Enterprise Services will sell eligible federal government obligor receivables, including both receivables that have already been billed under an invoice and also certain unbilled receivables arising from contracts where Enterprise Services has performed work and revenue has been recognized in accordance with generally accepted accounting principles and certain other required conditions have been satisfied.

On January 23, 2018, Enterprise Services entered into a first amendment to the MARPA among Enterprise Services, the Agent and the Purchasers (the “MARPA Amendment”). In connection with the MARPA

Amendment, DXC has a right to request a termination of the MARPA Guaranty in connection with the Spin-Off. Upon termination of the MARPA Guaranty as part of the Spin-Off, Perspecta will be the new direct or indirect parent of Enterprise Services and will enter into a new guaranty of Enterprise Services' obligations under the MARPA.

Perspecta expects to use the proceeds from receivables sales under the MARPA Facility for general corporate purposes.

EDS Notes

On October 12, 1999, Enterprise Services (then known as Electronic Data Systems Corporation) issued in a registered offering \$300 million aggregate principal amount of EDS Notes pursuant to that certain first supplemental indenture, dated as of October 12, 1999 (the "First Supplemental Indenture"), between Enterprise Services (then known as Electronic Data Systems Corporation) and The Bank of New York Mellon Trust Company N.A. (successor to Chase Bank of Texas, National Association (f/k/a Texas Commerce Bank National Association), as trustee (the "Trustee"), supplementing that certain indenture, dated as of August 12, 1996 (the "Base Indenture" and, as amended, modified or otherwise supplemented from time to time, the "EDS Indenture"), between Enterprise Services (then known as Electronic Data Systems Corporation) and the Trustee.

The EDS Notes were deregistered on September 9, 2008.

On January 8, 2018, DXC commenced (i) an exchange offer to exchange all validly tendered and accepted EDS Notes for new notes to be issued by DXC (the "Exchange Offer"); and (ii) a consent solicitation to certain Amendments (as defined below) to the EDS Indenture (the "Consent Solicitation"). As of 5:00 p.m., New York City time, on January 22, 2018, DXC had received sufficient consents from the holders of the EDS Notes to enter into that certain ninth supplemental indenture to the EDS Indenture, dated as of January 22, 2018 (the "Ninth Supplemental Indenture"), between Enterprise Services and the Trustee. Among other things, the Ninth Supplemental Indenture eliminates substantially all of the restrictive covenants in the EDS Indenture, eliminates certain events of default, amends the EDS Indenture to provide for the termination and replacement of guarantees and makes certain conforming changes to the EDS Indenture to reflect the foregoing changes (the "Amendments"). The Amendments will become operative on February 7, 2018, the settlement date of the Exchange Offer and Consent Solicitation (the "Settlement Date").

On the Settlement Date, the holders of approximately \$234 million aggregate principal amount of EDS Notes exchanged their EDS Notes for a like amount of the DXC Notes. As a result, DXC holds \$234 million aggregate principal amount of EDS notes. We expect \$66 million aggregate principal amount of the EDS Notes held by public noteholders to remain outstanding following the Distribution.

Interest on the EDS Notes is payable on April 15 and October 15 of each year, and the EDS Notes mature on October 15, 2029.

Enterprise Services may redeem the EDS Notes, in whole or in part, at any time or from time to time, in each case, at its option, at a redemption price equal to (1) the greater of 100% of the principal amount of the EDS Notes and (2) as determined by the Quotation Agent (as defined in the EDS Indenture), the sum of the present values of the principal amount of the notes to be redeemed and the remaining scheduled payments of principal and interest thereon, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in the First Supplemental Indenture) plus 20 basis points, plus, in either of (1) or (2) above, accrued and unpaid interest to the date of redemption.

The EDS Indenture contains customary events of default, including (1) failure to pay interest with respect to the EDS Notes; (2) failure to pay the principal (or premium, if any) when due with respect to the EDS Notes; (3) failure to pay any sinking fund payment with respect to the EDS Notes (4) failure to observe or perform any other covenant contained in the EDS Notes or the EDS Indenture; and (5) specified events involving bankruptcy, insolvency or reorganization.

MANAGEMENT OF PERSPECTA FOLLOWING THE TRANSACTIONS

The following table presents information concerning the individuals who are expected to serve as our executive officers and directors, and their anticipated titles, following the Spin-Off and Mergers, including a brief summary of the business experience of each of them. We are in the process of identifying additional executive officers and directors and we expect to provide details in an amendment to this Information Statement.

Name	Age	Position with Perspecta
<i>Executive Officers</i>		
Mr. John M. Curtis	61	Chief Executive Officer and Director
Mr. John Kavanaugh	56	Chief Financial Officer
Mr. James Gallagher	51	General Counsel and Secretary
<i>Directors</i>		
Mr. J. Michael Lawrie	64	Chairman
Mr. Ramzi M. Musallam	49	Director
Mr. Sanju K. Bansal	52	Director
Ms. Sondra Barbour	55	Director
Ms. Lisa Disbrow	55	Director
Ms. Pamela Kimmet	59	Director
Mr. Philip O. Nolan	59	Director
Mr. Biggs C. Porter	64	Director
Mr. Paul Saleh	61	Director

Executive Officers

John M. Curtis, Chief Executive Officer and Director

Mr. Curtis is expected to serve as our Chief Executive Officer and as a Director on our Board of Directors following the Spin-Off and the Mergers. Mr. Curtis is currently the Chief Executive Officer and President of Vencore Holding Corp., a position he has held since July 2013. Before assuming the role of Chief Executive Officer and President of Vencore Holding Corp., Mr. Curtis served as a senior advisor to Veritas Capital Management where he served on the board of directors of three portfolio companies, including Truven Health Analytics Inc., CRGT Inc. and The SI Organization Inc., which became Vencore Inc. after a strategic acquisition and new brand launch in 2014. From 2007 through 2011, Mr. Curtis served as President and Chief Executive Officer of Vangent, Inc., an information management and business process outsourcing company, which was sold to General Dynamics Corporation in 2011. Prior to his role at Vangent, Inc., Mr. Curtis served for more than six years as President and Chief Executive Officer of Pearson Government Solutions, Inc., which was sold to Veritas Capital Management in 2007 and changed its name to Vangent, Inc. Mr. Curtis also serves on the board of directors of the Intelligence and National Security Association and the Northern Virginia Technology Council and has Director Emeritus designation from his recent term as Chairman of the Professional Services Council. Mr. Curtis holds a Bachelor of Science degree in Civil Engineering from the Virginia Military Institute. Mr. Curtis was chosen to serve on our Board of Directors because of his position following the Spin-off and the Mergers as our Chief Executive Officer, and his extensive experience in, and understanding of, government contracting.

John Kavanaugh, Chief Financial Officer

Mr. Kavanaugh is expected to serve as our Chief Financial Officer following the Spin-Off and Mergers. Mr. Kavanaugh is currently the Vice President of Finance for the Americas region of DXC. Prior to joining DXC, Mr. Kavanaugh served as the Vice President of Finance for the Americas region of CSC from January 2015 to April 2017 and Vice President of Finance, Public Sector at CSC from July 2013 to January 2015. From 2010 to 2013 he served as President, Federal Solutions Group at Xerox Corporation.

James Gallagher, General Counsel and Secretary

Mr. Gallagher is expected to serve as our General Counsel following the Spin-Off and Mergers. Mr. Gallagher is currently the Vice President and Associate General Counsel of the USPS business of DXC. Prior to joining DXC, Mr. Gallagher served as the Vice President and Associate General Counsel of the USPS Business at Hewlett Packard Enterprise Company and at Hewlett Packard Company from February 2013 to April 2017 and prior to that served as Legal Director of the USPS Business at Hewlett Packard Company.

Board of Directors

John M. Curtis, Chief Executive Officer and Director—see “Executive Officers” above

J. Michael Lawrie

Mr. Lawrie is expected to serve as Chairman of our Board of Directors following the Spin-off and the Mergers. Mr. Lawrie serves as Chairman, President and Chief Executive Officer of DXC, and will continue to serve in such positions following the Spin-off and the Mergers. 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. Mr. Lawrie was chosen to serve as our Chairman and a Director on our Board of Directors because of his current position as Chairman, President and Chief Executive Officer of DXC, his experience as a director and executive officer for other public and private companies and his extensive experience in finance and IT and software solutions.

Ramzi M. Musallam

Mr. Musallam is expected to serve as a Director on our Board of Directors following the Spin-Off and the Mergers. Mr. Musallam has served as Chairman of Vencore Holding Corp.’s board of directors since September 2012 and as a member of Vencore Holding Corp.’s board of directors since October 2010. Mr. Musallam is also currently the Chief Executive Officer and Managing Partner of Veritas Capital Management, a leading private equity firm focused on investing in the government and technology markets. Previously, he worked at the private equity firms Pritzker and Pritzker and Berkshire Partners. Mr. Musallam is a member of the board of directors of several private companies. Mr. Musallam holds a Bachelor of Arts, cum laude, from Colgate University with a major in Mathematical Economics and a Master of Business Administration with High Honors from the University of Chicago Booth School of Business. Mr. Musallam was chosen to serve on our Board of Directors because of his position as the Chief Executive Officer and Managing Partner of Veritas Capital Management, his experience on other public and private company boards and his extensive experience in finance and private equity investments, notably in the technology market.

Sanju K. Bansal

Mr. Bansal is expected to serve as a Director following the Spin-Off and the Mergers. Mr. Bansal currently serves as Chief Executive Officer of Hunch Analytics, LLC, a data analytics company. Prior to founding Hunch

Analytics in 2013, Mr. Bansal served in various executive leadership positions and as a director of MicroStrategy Incorporated, a worldwide provider of business intelligence software. At MicroStrategy, he held the positions of Executive Vice President from 1993 to 2013 and Chief Operating Officer from 1994 to 2012. Mr. Bansal served as a member of MicroStrategy's board of directors from 1997 to 2013, including as Vice Chairman from November 2000 to November 2013. Mr. Bansal was a consultant at Booz, Allen & Hamilton, a worldwide technical and management consulting firm, from 1987 to 1990. Mr. Bansal is currently a director of The Advisory Board Company and Cvent, Inc. Mr. Bansal served as a director of CSRA Inc. from 2015 to 2018. Mr. Bansal was chosen to serve on our Board of Directors because of his position as Chief Executive Officer of Hunch Analytics, his experience as a director for other public companies and his extensive experience in information and systems technology.

Sondra Barbour

Ms. Barbour is expected to serve as a Director following the Spin-off and the Mergers. Ms. Barbour retired as Executive Vice President of Information Systems & Global Solutions of Lockheed Martin Corporation, a high technology aerospace and defense company. Ms. Barbour served as Executive Vice President of Information Systems & Global Solutions of Lockheed Martin from 2013 until August 2016, when that business combined with Leidos Holdings, Inc. From August 2016 until January 2017, she was on the executive staff of Leidos Holdings, Inc. From 2008 to 2013, she served as Senior Vice President of Enterprise Business Services and Chief Information Officer, heading all of the corporation's internal information technology operations, including protecting the company's infrastructure and information from cyber threats. Prior to that role, she served as Vice President of Corporate Shared Services from 2007 to 2008 and Vice President of Corporate Internal Audit from 2006 to 2007, providing oversight of supply chain activities, internal controls, and risk management. Ms. Barbour currently serves on the Board of Directors of 3M. Ms. Barbour was chosen to serve on our Board of Directors because of her former position as Executive Vice President of Information Systems & Global Solutions of Lockheed Martin Corporation and her extensive technology experience.

Lisa Disbrow

Ms. Disbrow is expected to serve as a Director following the Spin-off and the Mergers. Ms. Disbrow retired as the Under Secretary of the United States Air Force in 2017. From January 20, 2017 to May 16, 2017, Ms. Disbrow served as the Acting Secretary of the United States Air Force. Prior to that, from 2014 to 2016, Ms. Disbrow served as the Assistant Secretary of the Air Force for Financial Management and Comptroller. Ms. Disbrow joined the United States Air Force in 1985, and she retired in 2008 as a Colonel from the United States Air Force Reserve and throughout her thirty-two year national security career, she held senior civilian positions on the Joint Staff, in the National Reconnaissance Office, and on the National Security Council under President George W. Bush. Ms. Disbrow currently serves on the Board of Directors of Mercury Systems, Inc. Ms. Disbrow was chosen to serve on our Board of Directors because of her former position as the Under Secretary of the United States Air Force and her extensive experience in finance and government relations.

Pamela Kimmet

Ms. Kimmet is expected to serve as a Director following the Spin-off and the Mergers. Ms. Kimmet is the Chief Human Resources Officer at Cardinal Health, Inc., a health care services company. Prior to July 1, 2016, Ms. Kimmet was the Senior Vice President of Human Resources of Coca-Cola Enterprises, Inc., a position she held since 2008. Ms. Kimmet has extensive human resources leadership experience, including in the financial services industry with senior positions at Bear, Stearns & Company, Inc. and Citigroup, Inc. Ms. Kimmet is a fellow of the National Academy of Human Resources and Chair of the HR Policy Association (HRPA). She is a member of the Personnel Roundtable, Cornell University's Center for Advanced Human Resources Studies, and the University of South Carolina's Center for Executive Succession. Ms. Kimmet served as the former Chair of both the HRPA's Center for Executive Compensation and of the National Business Group on Health. Ms. Kimmet was chosen to serve on our Board of Directors because of her position as Chief Human Resources Officer at Cardinal Health, Inc. and her extensive human resources leadership and senior executive experience.

Philip O. Nolan

Mr. Nolan is expected to serve as a Director following the Spin-off and the Mergers. Mr. Nolan currently serves as a Venture Partner and as an Advisory Board Member at Blue Delta Capital Partners. From 2015 to 2016, Mr. Nolan was Chief Executive Officer of Camber Corporation, a private equity-backed company, where he also served on the Board of Directors from 2011 to 2016. Prior to joining Camber Corporation, Mr. Nolan served as Chairman of the Board of Directors and Chief Executive Officer of Stanley Inc. from 2002 to 2010, where he also served as President from 1996 to 2010. Mr. Nolan was chosen to serve on our Board of Directors because of his extensive operating experience in our core marketplace, his experience on other public and private company boards, and for his involvement in venture capital, corporate finance, and private equity investment activities.

Biggs C. Porter

Mr. Porter is expected to serve as a Director following the Spin-off and the Mergers. Mr. Porter retired as the Executive Vice President and Chief Financial Officer of Fluor Corporation, where he served from 2012 to 2017. Prior to joining Fluor in 2012, he was Chief Financial Officer of Tenet Healthcare Corporation from 2006 to 2012. Mr. Porter previously served in senior-level finance positions with Raytheon Company from 2003 to 2006 and with TXU Corporation from 2000 to 2003. He also previously held finance positions at Northrop Grumman Corporation, Vought Aircraft Company and LTV Corporation. A certified public accountant, Mr. Porter began his career with the accounting firm Arthur Young & Co. Mr. Porter currently serves on the Audit Committee and on the Board of Directors of Bristow Group. Mr. Porter was chosen to serve on our Board of Directors because of his position on the Audit Committee and on the Board of Directors of Bristow Group, and his extensive experience in government contracting and in finance.

Paul Saleh

Mr. Saleh is expected to serve as a Director following the Spin-off and the Mergers. Mr. Saleh serves as Executive Vice President and Chief Financial Officer of DXC, and he will continue to serve in such positions following the Spin-off and the Mergers. Prior to joining DXC, Mr. Saleh served as Vice President and Chief Financial Officer of CSC from May 23, 2012 to March 31, 2017. Prior to joining CSC, Mr. Saleh served as 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. Mr. Saleh was chosen to serve on our Board of Directors because of his current position as Executive Vice President and Chief Financial Officer of DXC, his experience on other private company boards and his extensive experience in finance, IT and telecommunications.

Our Board of Directors Following the Spin-Off and Director Independence

Immediately following the Spin-Off, we expect that our Board of Directors will comprise 10 directors. The corporate governance standards of NYSE require that the board have a majority of independent directors, and we expect our Board of Directors to include a majority of independent directors and board committees composed of the requisite number of independent directors at the time of the Spin-Off under the corporate governance standards of NYSE and the independence requirements of Rule 10A-3 of the Exchange Act.

Following the Spin-Off, Veritas Capital Management will have the right to nominate one individual to serve on our Board of Directors pursuant to the Side Letter Agreement, “The Separation and Distribution Agreement and the Ancillary Agreements—Side Letter Agreement”. Veritas Capital Management’s right to nominate one member to our Board of Directors is subject to review and approval of such individual’s nomination by our

nominating and corporate governance committee, and is subject to such individual meeting our director qualification standards to be included in our corporate governance guidelines. This right shall continue in effect until Veritas Capital Management, together with its affiliates, ceases to hold a number of shares equal to at least 10% of the outstanding common stock of Perspecta as of the closing date of the Mergers. Ramzi Musallam is expected to be Veritas Capital Management's nominee pursuant to the Side Letter Agreement.

Committees of the Board

Effective upon the completion of the Spin-Off, our Board of Directors will have the following committees, each of which will operate under a written charter that will be posted on our website immediately prior to the Spin-Off.

Audit Committee

The Audit and Finance Committee will be established in accordance with Section 3(a)(58)(A) and Rule 10A-3 under the Exchange Act. The responsibilities of our Audit and Finance Committee will be more fully described in our Audit and Finance Committee charter. We anticipate that our Audit and Finance Committee will, among other duties:

- oversee financial reporting, accounting, control and compliance matters;
- appoint and evaluate the independent auditor;
- review with the internal and independent auditors the scope, results and adequacy of their audits and effectiveness of internal controls;
- review material financial disclosures;
- pre-approve all audit and permitted non-audit services;
- annually review our compliance programs and receive regular updates about compliance matters;
- annually review our disclosure controls and procedures; and
- review and make recommendations to our Board of Directors about related-person transactions.

The Audit Committee will have at least three members and will include a requisite number of directors that will meet the independence requirements set forth in the listing standards of NYSE, Rule 10A-3 under the Exchange Act and our Audit Committee charter. Each member of the Audit Committee will be financially literate, and at least one member of the Audit Committee will have accounting and related financial management expertise and satisfy the criteria to be an "audit committee financial expert" under the rules and regulations of the SEC, as those qualifications will be interpreted by our Board of Directors in its business judgment. The initial members of the Audit Committee will be determined prior to the Spin-Off.

Compensation Committee

The responsibilities of our Compensation Committee will be more fully described in our Compensation Committee charter, and we anticipate that they will include, among other duties:

- approving and recommending full Board of Directors approval of the CEO's compensation based upon an evaluation of the CEO's performance by the independent directors;
- reviewing and approving senior management's compensation;
- administering incentive and equity compensation plans and, in consultation with senior management, approving compensation policies; and
- reviewing executive compensation disclosures and the annual compensation risk assessment.

The Compensation Committee will include a requisite number of directors that will meet the independence requirements set forth in the listing standards of NYSE, Rule 10C-1 under the Exchange Act and our Compensation Committee charter. The members of the Compensation Committee will be “non-employee directors” (within the meaning of Rule 16b-3 under the Exchange Act) and “outside directors” (within the meaning of Section 162(m) of the Code (“Section 162(m)”). The initial members of the Compensation Committee will be determined prior to the Spin-Off.

Nominating/Corporate Governance Committee

The responsibilities of our Nominating/Corporate Governance Committee will be more fully described in our Nominating/Corporate Governance Committee charter, and we anticipate that they will include, among other duties:

- monitoring our Board of Directors’ structure and operations;
- setting criteria for Board of Directors membership;
- searching for and screening candidates to fill Board of Directors vacancies and recommend candidates for election;
- evaluating director and Board of Directors performance and assess Board of Directors composition and size;
- evaluating our corporate governance process; and
- recommending to our Board of Directors whether to accept the resignation of incumbent directors that fail to be re-elected in uncontested elections.

The Nominating/Corporate Governance Committee will include a requisite number of directors that will meet the independence requirements set forth in the listing standards of NYSE and our Nominating/Corporate Governance Committee charter. The initial members of the Nominating/Corporate Governance Committee will be determined prior to the Spin-Off.

Codes of Conduct

We are committed to high standards of ethical conduct and professionalism. Prior to the completion of the Spin-Off, we will adopt a Code of Business Conduct that confirms our commitment to ethical behavior in the conduct of all Perspecta activities. The Code of Business Conduct will apply to all our directors, all our officers (including our CEO, CFO and Principal Accounting Officer) and employees and it will set forth our policies and expectations on a number of topics including avoiding conflicts of interest, confidentiality, insider trading, protection of Perspecta and customer property and providing a proper and professional work environment. We expect to continue to follow the same corporate governance practices immediately following the Distribution.

Director Nomination Process

Our initial Board of Directors will be selected through a process involving DXC and us. We intend to adopt corporate governance principles designed to assure excellence in the execution of the Board of Directors’ duties. These principles will be outlined in Corporate Governance Guidelines which, in conjunction with our Amended and Restated Articles of Incorporation, Amended and Restated Bylaws, Code of Business Conduct, Board of Directors committee charters and related policies will form the framework for the effective governance of Perspecta. Our Corporate Governance Guidelines will be available on our website prior to the Spin-Off. We anticipate that our first annual meeting of stockholders as an independent, publicly-traded company will be held after the completion of our fiscal year ending March 31, 2019.

Communicating with the Board or Chairman

After the Spin-Off, stockholders and other interested parties may communicate with the Board of Directors, individual directors, the non-management directors as a group, or with the Chairman, by writing in care of the Corporate Secretary, Perspecta, 13600 EDS Drive, Herndon, VA 20171. The Corporate Secretary will review all submissions and forward to members of the Board of Directors all appropriate communications that in the Corporate Secretary's judgment are not offensive or otherwise objectionable and do not constitute commercial solicitations.

EXECUTIVE COMPENSATION

Summary

This Compensation Discussion and Analysis (“CD&A”) discusses the anticipated compensation to be paid by us to our executive officers following the Spin-Off and Mergers for our fiscal year beginning April 1, 2018 and ending March 31, 2019 (“Fiscal 2019”) and the historical compensation paid by DXC to our executive officers who are currently employees of DXC prior to the Spin Off and Mergers.

Expected Perspecta Executive Officers

Following the Spin-Off and Mergers, we expect the following individuals to become our executive officers:

- John M. Curtis, who is currently the President and Chief Executive Officer of Vencore, is expected to become our Chief Executive Officer;
- John Kavanaugh, who is currently the Vice President of Finance for the Americas region of DXC, is expected to become our Chief Financial Officer; and
- James Gallagher, who is currently the Vice President and Associate General Counsel of USPS, is expected to become our General Counsel and Secretary.

Mr. Curtis was not employed by DXC prior to the Spin-Off and Mergers and therefore none of his historical compensation is discussed in this CD&A.

Mr. Kavanaugh and Mr. Gallagher are all currently employees of DXC. This CD&A focuses on the historical compensation paid by DXC to each of these individuals because USPS was a separate business unit of DXC prior to the Spin-Off and because of the continuity in the services expected to be performed by Mr. Kavanaugh and Mr. Gallagher before and after the Spin-Off.

The historical compensation discussion in this CD&A covers DXC’s fiscal year beginning with DXC’s formation on April 1, 2017, and ending on March 31, 2018 (“DXC Fiscal 2018”). Prior to the Spin-Off, DXC officers (including Mr. Kavanaugh and Mr. Gallagher) responsible for managing USPS participated in DXC compensation programs. For DXC Fiscal 2018, the DXC compensation strategy was determined primarily by DXC’s senior management and the Compensation Committee of the DXC board of directors (the “DXC Compensation Committee”). The compensation elements and processes discussed in this CD&A reflect these current DXC programs and processes.

Following the Spin-Off, we will form our own board-level compensation committee (our “Compensation Committee”) that will be responsible for approving and overseeing our executive compensation programs. We expect to adopt an annual cash incentive program and a long-term equity-based incentive program with terms similar to the terms of the DXC annual cash incentive and long-term equity incentive programs described below and to offer post-employment benefits and severance programs similar to the programs that existed at DXC prior to the Spin-Off. Following the Spin-Off, our Compensation Committee will review and monitor the effect of the Spin-Off and the Mergers on our executive compensation programs, and may make any adjustments it deems appropriate based on the Spin-Off or Mergers or any other factors.

Fiscal 2019 Expected Perspecta Compensation

Prior to the Spin-Off, the DXC Compensation Committee reviewed and approved recommended compensation levels for the individuals who are expected to become our executive officers after the Spin-Off and Mergers. These recommendations, which are set forth in the table below, are subject to the approval of our Compensation Committee. In arriving at these recommended compensation levels, the DXC Compensation Committee took into account the compensation payable to similarly situated executives in a peer group of

companies in our industry that are expected to be similar to us in size. This peer group was developed with the assistance of Pearl Meyer & Partners (PM&P), the DXC Compensation Committee's independent compensation consultant. The members of this peer group are:

Aerojet Rocketdyne Holdings, Inc.	Leidos Holdings, Inc.
Booz Allen Hamilton Holding Corporation	ManTech International Corporation
CACI International Inc.	Maxar Technologies Ltd.
Conduent Incorporated	MAXIMUS, Inc.
CSRA Inc.	Motorola Solutions, Inc.
Cubic Corporation	Orbital ATK, Inc.
Engility Holdings, Inc.	Presidio, Inc.
Harris Corporation	Science Applications International Corporation
L3 Technologies, Inc.	Unisys Corporation

The recommended compensation levels for the individuals who are expected to become our named executive officers for periods after the Spin-Off and Mergers are as follows:

Name	Salary	Annual Incentive Target	Long Term Incentive Target	Target Total Direct Compensation
John M. Curtis, Chief Executive Officer	\$850,000	125%	350%	\$4,887,500
John Kavanaugh, Chief Financial Officer	\$475,000	100%	160%	\$1,710,000

The DXC Compensation Committee did not make a recommendation with respect to Mr. Gallagher's compensation, which will be determined after the Spin-Off and Mergers.

The DXC Compensation Committee has also recommended that Mr. Curtis receive a one-time "launch" equity grant in the form of restricted stock units with respect to our common stock with a grant-date value of \$1,600,000.

Perspecta Employee Equity Plan

We expect to adopt an equity incentive plan (the "Perspecta Employee Equity Plan") prior to the Spin-Off and Merger for the purpose of allowing us to grant equity and equity-based incentive awards to our eligible employees following the Spin-Off and the Mergers. We expect to reserve approximately million shares of our common stock for issuance under the plan, plus any additional shares resulting from the adjustment of the DXC outstanding equity awards (the "Spin-Off Awards") described below under "DXC Outstanding Equity Award Adjustments." The number of reserved shares would be subject to future adjustments to reflect any future stock splits, reverse stock splits, stock dividends, subdivisions, consolidations, recapitalizations, reorganizations, mergers and other similar events, as determined in the plan administrator's discretion.

We expect the terms of the Perspecta Employee Equity Plan to be substantially similar to the terms of the DXC 2017 Omnibus Incentive Plan ("DXC Plan") and to allow us to grant equity and equity-based awards, including, stock appreciation rights ("SARs"), restricted stock, restricted stock units (including performance-vested restricted stock units ("PSUs")), and cash awards. All of our employees would be eligible to participate in the plan.

Our Compensation Committee would have broad authority to grant awards and otherwise administer the Perspecta Employee Equity Plan. The plan would become effective upon the effective time of the Spin-Off and would continue in effect for a period of 10 years thereafter, unless earlier terminated by our Board of Directors. Our Board of Directors would have the authority to amend the plan in such respects as it deemed desirable, provided that any amendments that would increase the share reserve (other than pursuant to a recapitalization event described above), expand the class of persons eligible to participate in the plan or the types of awards

available for grant under the plan, or that would otherwise be considered a material modification for purposes of applicable tax or securities laws or exchange listing requirements, would require the approval of our stockholders.

The form and terms of the plan are still under evaluation, and we expect to provide details in an amendment to this Information Statement.

DXC Outstanding Equity Award Adjustments

At the effective time of the Spin-Off and pursuant to the terms of the Employee Matters Agreement, outstanding DXC employee equity awards under the DXC Plan held by individuals who are or who become our employees in connection with the Spin-Off (including awards held by Mr. Kavanaugh and Mr. Gallagher) will be adjusted as follows:

- *Adjustment of Options:* Outstanding options under the DXC Plan (vested or unvested) will be converted at the effective time of the Spin-Off into options to purchase shares of Perspecta common stock under the Perspecta Employee Equity Plan in accordance with the terms of the Employee Matters Agreement (including appropriate adjustments, if any, to number of underlying shares and exercise price per share), and would retain the same vesting schedule they had before the Spin-Off.
- *Adjustment of RSUs:* Outstanding restricted stock units (“RSUs”) other than performance-vested restricted stock units under the DXC Plan will be converted at the effective time of the Spin-Off into RSUs with respect to share of Perspecta common stock under the Perspecta Employee Equity Plan in accordance with the terms of the Employee Matters Agreement (including appropriate adjustments, if any, to number of underlying shares), and would retain the same vesting schedule they had before the Spin-Off.
- *Adjustment of PSUs:* Outstanding performance-vested restricted stock units (“PSUs”) under the DXC Plan will be converted at the effective time of the Spin-Off into PSUs with respect to shares of Perspecta common stock under the Perspecta Employee Equity Plan in accordance with the terms of the Employee Matters Agreement (including appropriate adjustments, if any, to number of underlying shares), and would retain the same vesting schedule they had before the Spin-Off but with adjusted performance goals to reflect the Spin-Off.

Components of DXC Compensation

The following chart summarizes the characteristics and primary purpose of each element of DXC's executive compensation program.

Compensation Element	Characteristics	Primary Purpose
Base Salary	Annual fixed cash compensation.	Provide a fixed amount of cash compensation based on individual performance, experience, skills, responsibilities and competitive pay levels.
Annual Cash Incentives	Annual variable cash compensation determined by company financial performance and individual performance.	Motivate and reward the achievement of annual financial and other operating objectives and individual performance that drive stockholder value over time.
Long-Term Incentives	Long-term equity awards generally granted annually as a combination of time-based restricted stock units and/or Performance Share Units.	Motivate and reward profitable growth and increase in share price over time and align with stockholders. Align pay with company performance over multi-year overlapping performance cycles.
Post-Employment Benefits	Retirement and deferred compensation plans.	Offer competitive retirement compensation designed to attract and retain mid- and late- career senior executives.
Severance/ Change-in-Control	Contingent short-term compensation.	Provide assurance of short-term compensation continuity to allow executives to remain focused on stockholder interests in a dynamic environment.
Benefits	Health and welfare benefits.	Provide business-related benefits consistent with competitive practice to enhance executive work efficiency.

Total Direct Compensation

The first three components of compensation above comprise "Total Direct Compensation." The DXC Compensation Committee makes decisions regarding each element of Total Direct Compensation based on DXC's fiscal year, which ends on March 31. Therefore, the compensation decisions described below were intended to cover the period commencing April 1, 2017 and ending March 31, 2018. In assessing the competitiveness of the Total Direct Compensation opportunity and each of its components (base salary, annual cash incentives, and long-term incentives) for its executives, DXC compared these components to the market median for similarly situated executives in companies against which DXC competes for executive talent.

The market competitiveness of DXC's pay opportunities is just one factor that the DXC Compensation Committee reviews in evaluating DXC's executive compensation programs. Additional factors may include DXC's performance (including its transformation strategy and management performance in executing that strategy) and individual factors such as an employee's level of responsibility, experience, succession prospects and individual performance.

Base Salary

General. Base salary is the only fixed component of executive compensation and constitutes a small percentage of Total Direct Compensation. Base salary is determined by the level of responsibility assumed by an

executive, experience, performance and competitive pay practices. Base salary adjustment decisions also consider promotions, changes in responsibilities, performance, succession prospects, DXC merit pay budgets and market trends. At the beginning of each fiscal year, the DXC Compensation Committee reviews the base salary for each officer of DXC and determines base salary adjustments, if any. The DXC Compensation Committee considers how base salary adjustments affect annual cash incentive opportunities and long-term incentive grant values, as both are defined as a percentage of base salary.

DXC Fiscal 2018 Base Salaries. The following table presents the DXC Fiscal 2018 annualized and actual base salaries for Mr. Kavanaugh and Mr. Gallagher and the percentage the annualized base salary represents in Target Total Direct Compensation.

<u>Named Executive Officer</u>	<u>Annualized DXC Fiscal 2018 Base Salary</u>	<u>Percentage of Target Total Direct Compensation</u>
John Kavanaugh	\$350,000	53%
James Gallagher	\$262,232	53%

Annual Incentive Compensation (EICP)

General. DXC provides short-term incentive compensation under the Employee Incentive Compensation Plan (“EICP”), an annual cash bonus plan designed to take into account a variety of factors, including DXC financial performance, client satisfaction and an executive’s individual performance. Awards under the EICP therefore are directly linked to both DXC and individual performance. Performance under the EICP awards granted to our executives during DXC Fiscal 2018 was designed to be measured over DXC’s fiscal year ending March 31, 2018, and therefore the awards have not yet been determined as of the date of this filing, and payments thereunder may not be determined until after the date of the Spin-Off. In connection with the Spin-Off and Mergers, we will adopt an annual bonus plan for any employees transferred from DXC to us that is substantially equivalent to the EICP and we will be responsible for paying any bonuses for such employees under such plan after the Spin-Off and Mergers.

Target EICP Awards. The DXC Compensation Committee establishes a target award percentage for each executive, representing a percentage of base salary, and an associated target award value. Each executive’s target award value is established in consideration of market practices, individual scope of responsibility and expected contribution. The table below reflects the target award percentage for awards granted during DXC Fiscal 2018, the corresponding target award value, and the target award value as a percentage of target Total Direct Compensation for Mr. Kavanaugh and Mr. Gallagher.

<u>Named Executive Officer</u>	<u>Target EICP Percentage</u>	<u>Target EICP Value</u>	<u>Percentage of Target Total Direct Compensation</u>
John Kavanaugh	60%	\$210,000	32%
James Gallagher	60%	\$157,339	32%

How the EICP Works. EICP awards are earned based on performance relative to targeted financial goals, and pre-established customer satisfaction objectives, weighted 80% and 20%, respectively, and are subject to further discretionary modification for individual performance. The DXC Compensation Committee gives prominent weight to client satisfaction as a performance measure to help foster a client-focused, metric-driven culture within DXC.

In order to emphasize profitability, DXC must achieve at least 80% of its consolidated earnings before income and taxes (EBIT) goal before any EICP payments are made. EBIT is defined as net income (calculated in accordance with GAAP), adjusted for income tax expense (benefit), interest expense, and interest income. In addition, executives in specific regions (including USPS) do not receive an EICP payment unless the region achieves at least 80% operating profit. Assuming the DXC EBIT and operating profit, if applicable, threshold levels are achieved, the percentage achievement of the EBIT goal also serves as a multiplier or “funding factor” which is applied to the percentage achievement of the EICP financial metrics as a whole to determine the overall score for the financial metrics portion of the EICP, up to a maximum of 200%.

Weighted financial metric performance (as adjusted by the EBIT funding factor) plus weighted customer satisfaction metric performance determines the initial payout score, which is then adjusted for individual performance and multiplied by an executive’s target award to reach the final EICP payout amount.

For DXC Fiscal 2018, special rules applied for executives who were “covered individuals” within the meaning of Section 162(m). If DXC achieved 80% of its EBIT goal for the year, each such executive who was a “covered individual” within the meaning of Section 162(m) became eligible to receive the maximum possible EICP payout. However, to ensure the EICP operated the same way for all executives, the DXC Compensation Committee could then exercise “negative discretion” to reduce such executive’s EICP payment based on actual performance with respect to the financial and other metrics described in this section. This process may be revised in 2018 to reflect changes in the U.S. tax law.

Financial Metrics. Executives in certain regions (including USPS) are measured against both DXC and regional financial performance. DXC management recommends specific targets for financial measures, which are reviewed and approved by the DXC Compensation Committee and the board of directors of DXC. Financial goals for the USPS region (comprising 80% of the total EICP award) include DXC revenue (weighted 10%); region revenue (weighted 10%); DXC EBIT (weighted 30%); and region operating profit (weighted 30%).

Financial Metric Performance Scale. For EICP awards granted during DXC Fiscal 2018, the DXC Compensation Committee established scales of “payout percentages” to assess performance against the financial goals described above, including for purposes of determining the DXC EBIT funding factor applicable to the financial metrics. The scale for the DXC EBIT performance goal ranges from 50% payout at a threshold 80% achievement to a maximum 200% payout at 120% achievement, and the scale for the DXC revenue goal ranges from 50% payout at a threshold 90% achievement to a maximum 200% payout at 110% achievement.

Customer Satisfaction Metrics. For the customer satisfaction metric, the DXC Compensation Committee generally establishes the customer responses to its prior year survey as a baseline, and sets improvement goals over that baseline for DXC as a whole and for specific business units and regions. DXC uses the Net Promoter Score (“NetPS”) system to evaluate customer satisfaction. No payouts of the customer satisfaction component are made unless at least 50% of DXC’s solicited customers responded to the survey.

Long-Term Incentive Compensation

General. Long-term incentive (“LTI”) compensation is the largest component of executive compensation for the DXC executives. DXC’s LTI awards (which are granted under the DXC Plan) consist of grants of service-vesting RSUs, weighted 30%, and PSUs with a three-year performance cycle, weighted 70%. At the beginning of each fiscal year, the DXC Compensation Committee establishes a target LTI grant value for each executive, expressed as a percentage of base salary, and the relative mix of award types. Individual target LTI grant values are determined in light of market practices, and actual award levels reflect individual performance and succession considerations. Please see the discussion on page 201 for a description of how the outstanding DXC option, RSU and PSU awards will be adjusted in connection with the Spin-Off and Mergers.

LTI Target Percentage. The following table presents the target LTI grant values for DXC's LTI awards granted during DXC Fiscal 2018, the target LTI percentage and long-term incentives as a percentage of target total direct compensation for Mr. Kavanaugh and Mr. Gallagher.

<u>Named Executive Officer</u>	<u>Annualized Base Salary</u>	<u>Target LTI Percentage</u>	<u>Target LTI Value</u>	<u>Percentage of Target Total Direct Compensation</u>
John Kavanaugh	\$350,000	30%	\$105,000	16%
James Gallagher	\$262,232	30%	\$ 78,670	16%

RSUs. RSUs (comprising 30% of each executive's target LTI award) provide an opportunity for executives to earn DXC common stock based on their continued service. One-third of the RSUs vest on each of the first three anniversaries of the grant date.

Performance Share Units. PSUs (comprising 70% of each executive's target LTI award) provide an opportunity for executives to earn DXC common stock if targeted performance goals are met over a three-year performance period (based on DXC's fiscal year; i.e., the PSUs granted during DXC Fiscal 2018 are scheduled to be earned over the three-year period ending March 31, 2020). Performance is measured based on DXC's EPS (75% weighting) and free cash flow (FCF, 25% weighting). For each award, EPS and FCF performance is measured over the last year in the three-year performance period. The DXC Compensation Committee establishes threshold, target and maximum EPS and FCF goals, at which 50%, 100% or 200%, respectively, of the weighted EPS or FCF portion of the target PSUs may vest. Up to 200% of the target PSUs may vest if maximum EPS and FCF performance is achieved. Vesting is interpolated for performance between these goals. No PSUs vest if performance is below the EPS and FCF threshold goals. The EPS and FCF metrics are designed to be measured and paid out independent of each other, i.e., payout may result for one metric but not the other.

In addition, in order to recruit, retain and motivate progress toward multi-year transformation goals, each executive may earn a portion of the PSU award after years one and two based on EPS and FCF performance in the first and second years of the performance period. Up to 25% of the target PSUs may be earned at the end of the first year of the performance period if DXC's EPS and FCF for that year equals or exceeds the threshold EPS and FCF goals for the award. In addition, up to 25% of the target PSUs may be earned at the end of the second year of the performance period if DXC's EPS and FCF for that year equals or exceeds the threshold EPS and FCF goals (if not achieved after year one) or if DXC's EPS and FCF performance for the second year equals or exceeds the EPS and FCF goals at which 75% of the weighted EPS or FCF portion of the target PSUs vest (if the PSUs were partially earned after year one). Up to 200% of the target PSUs, less any PSUs which were earned in years one or two, may be earned at the end of the third year of the performance period, subject to DXC's EPS and FCF performance for that year. Regardless of when earned, none of the PSUs vest or are settled until the end of year three; thus, vesting and settlement of any PSUs that are partially earned after years one and two remains subject to the executive's continued employment through the end of the three-year performance period.

DXC Fiscal 2018 Long-Term Incentive Awards. The target award value of LTI awards granted during DXC Fiscal 2018 and the number of shares granted for each element of DXC's LTI compensation for Mr. Kavanaugh and Mr. Gallagher is set forth in the table below.

<u>Named Executive Officer</u>	<u>Target Long- Term Incentives</u>	<u>RSUs</u>		<u>Performance Share Units</u>	
		<u>Target Award Value</u>	<u>Share Units</u>	<u>Target Award Value</u>	<u>Target Share Units</u>
John Kavanaugh	\$105,000	\$31,500	410	\$73,500	958
James Gallagher	\$ 78,670	\$23,601	307	\$55,069	718

In accordance with DSC's Equity Grant Policy, the target award values listed in the table above generally differ from the award values listed in the Summary Compensation Table. The number of shares underlying the RSUs and PSUs was calculated by dividing the target grant value by the average closing price of DXC stock from April 1, 2017 until the grant date. This method is employed to reduce the impact of stock price spikes, either positive or negative, when determining the number of shares underlying these awards. In contrast, the grant values in the Summary Compensation Table are determined using the grant date closing price, and the grant values for the PSUs in the Summary Compensation Table are based on the probable achievement of the performance goals at the time of grant.

DXC Fiscal 2018 Total Direct Compensation

The chart below displays the value of each element of DXC Fiscal 2018 target Total Direct Compensation described above for Mr. Kavanaugh and Mr. Gallagher. As noted above in the discussion of each element of compensation, the value of compensation actually realized will vary from the DXC Compensation Committee's targets based on financial results and stock price performance.

<u>Named Executive Officer</u>	<u>Base Salary</u>	<u>Target Annual Cash Incentives</u>	<u>Target LTI Grant Value</u>	<u>Target Total Direct Compensation</u>
John Kavanaugh	\$350,000	\$210,000	\$105,000	\$665,000
James Gallagher	\$262,232	\$157,339	\$ 78,670	\$498,241

DXC Fiscal 2018 Officer Retention Grants.

DXC has from time to time granted retention awards in order to recognize and retain key employees who are viewed as critical to the future success of DXC. Each of Mr. Kavanaugh and Mr. Gallagher received a retention award during DXC Fiscal 2018. Mr. Kavanaugh's award was in the amount of \$80,200, half of which was paid in cash, subject to a clawback if Mr. Kavanaugh resigns or is terminated for cause prior to August 1, 2018, and the remaining half of which was in the form of RSUs vesting on August 15, 2018, subject to Mr. Kavanaugh's continued employment. Mr. Gallagher received cash retention awards in the total amount of \$268,741, of which \$131,116 is subject to a clawback if Mr. Gallagher's employment terminates prior to November 13, 2018.

Other DXC Executive Compensation

Post-Employment Benefits

Retirement Plans. The DXC Compensation Committee views retirement benefits as an important component of DXC's executive compensation program. As such, DXC offers its employees, including Mr. Kavanaugh and Mr. Gallagher, a retirement program that provides the opportunity to accumulate retirement income. DXC periodically reviews its benefits program against its peer group and aims for the program to be competitive.

<u>Retirement Plans</u>	
Matched Asset Plan ("MAP")	Broad-based, qualified, defined contribution 401(k) plan with company match on a portion of employee contributions and directed investment alternatives.

Severance and Change in Control Benefits

It is currently anticipated that, following the Spin-Off, in order to offer competitive total compensation packages to our executive officers, as well as to ensure the ongoing retention of these individuals, we will offer certain severance benefits to a select group of executive officers that are similar to the DXC severance benefits offered to certain of its executive officers.

Specifically, we expect to establish a Severance Plan for Senior Management and Key Employees (the "Severance Plan") providing "double trigger" income and benefits continuity protection to eligible executives for

the limited case in which the employment of the executive officer is terminated by us without cause or by the executive for good reason during a specified window of time following a change in control. The Severance Plan will be intended to preserve executive productivity and encourage retention during an actual or potential change in control. Severance benefits are expected to be a multiple of the executive's base salary plus average annual earned/paid bonus during the three fiscal years prior to which employment termination has occurred and continuation of certain health and welfare benefits for a specified period following the termination of employment, depending on the executive's position.

We also expect to establish an Executive Officer Severance Policy (the "Severance Policy") to provide severance benefits in the discretion of our Compensation Committee and our CEO to certain executives whose employment with us is terminated without cause in situations not involving a change in control. The Severance Policy is expected to cover those executives reporting directly to our CEO who are Section 16 officers. An executive who resigns would not be entitled to benefits under the Severance Policy. Severance benefits are expected to be a multiple of the executive's base salary, a pro-rata annual bonus for the year in which the termination occurs based on actual performance, and continuation of certain health and welfare benefits for a specified period following the termination of employment, depending on the executive's position.

None of Mr. Kavanaugh or Mr. Gallagher currently participates in the DXC severance plans or policies for DXC's executive officers; instead, each is eligible for certain severance benefits under DXC's broad-based workforce reduction policy that applies generally to all full-time, non-executive DXC employees located in the United States (the "DXC Workforce Reduction Policy"). Under this policy, eligible employees whose employment is involuntarily terminated due to discontinuance of a business unit or function, business reorganization, lack of work, position elimination, or similar business reason can receive up to 8 weeks of severance pay based on years of service.

Other Benefits

DXC provides health and welfare benefits to eligible employees, including medical, dental, life, disability and accident insurance. These benefits are available to all U.S. employees generally, including Mr. Kavanaugh and Mr. Gallagher. These programs are designed to provide certain basic quality of life benefits and protections.

DXC Compensation Framework

DXC's senior management reviews and makes recommendations for compensation for DXC's executive officers to the DXC Compensation Committee, which is responsible for overseeing DXC's compensation policies and programs. In making decisions regarding executive compensation, the DXC Compensation Committee is assisted by PM&P, its independent compensation consultant, which advises the committee on trends and best practices in the design, composition and policies of executive compensation programs and provides commentary and advice on management proposals to the DXC Compensation Committee. DXC reviews market pay levels and practices for executives using a combination of survey data and proxy disclosures on pay for DXC's peer group.

As noted above, we expect to form our own Compensation Committee to oversee our executive compensation policies and programs following the Spin-Off and Mergers. We expect our Compensation Committee to retain its own independent compensation consultant, which may attend Compensation Committee meetings and provide advice and recommendations to the Compensation Committee on levels and components of pay, pay trends, the composition of our peer group and other related matters. We expect to review market pay levels and practices for our executives using a combination of survey data and proxy disclosures on pay for our peer group, which initially we expect to be composed of the companies listed under the heading "—Fiscal 2019 Expected Perspecta Compensation" above.

Additional Compensation Policies of DXC

In addition to the components of DXC's executive compensation program, DXC maintains the compensation policies described below. We expect to adopt similar compensation policies following the Spin-Off and Mergers.

DXC Policy on Transactions in Company Securities and Related Derivatives

The board of directors of DXC has adopted a policy prohibiting directors, corporate officers and each employee of DXC or its subsidiaries who are financial insiders, and members of their immediate families, from entering into any transactions in DXC's securities except during announced trading periods, or pursuant to a trading plan under Rule 10b5-1 of the Exchange Act. Such transactions are subject to pre-approval by DXC's CEO, CFO, CHRO and General Counsel prior to entering any such transaction. In addition, DXC has prohibited directors, officers and financial insiders, and members of their immediate families, from derivative security transactions with respect to equity securities of DXC. DXC also discourages directors, officers and financial insiders from margining or pledging DXC stock to secure a loan or purchase shares of DXC stock on margin.

DXC's Equity Ownership Guidelines

The DXC Compensation Committee has adopted equity ownership guidelines for senior level executives to encourage them to build their ownership positions in DXC's common stock over time and retain shares they earned through DXC's equity incentive plans. The DXC Compensation Committee believes that stock ownership by DXC's executive officers further aligns their interests with those of long-term stockholders. Under the equity ownership guidelines, each senior level executive who has not yet achieved the equity ownership levels is required to retain a certain percentage of the net shares (after withholding for taxes and exercise price) resulting from stock option exercises, PSU payments or other Long-Term Incentives until the levels are achieved. In order to encourage executives to meet the guidelines more quickly, there are higher retention requirements the farther an executive is from meeting the guidelines. Executives who satisfy 50% or less of their ownership guideline are required to retain 100% of their net shares, executives who satisfy between 51% and 75% of their ownership guideline are required to retain 75% of their net shares, and executives who satisfy more than 75% of their ownership guidelines are required to retain 50% of their net shares. The ownership guidelines for Mr. Kavanaugh and Mr. Gallagher are as follows:

<u>Position</u>	<u>Stock Value as a Percentage of Base Salary</u>
Mr. Kavanaugh	100%
Mr. Gallagher	100%

The DXC Compensation Committee reviews compliance with the guidelines on an annual basis and considers the amount of common stock held directly or through DXC's MAP and time-based RSUs (but not PSUs) in determining whether an executive had achieved his designated equity ownership level.

DXC Compensation Recoupment Policy

DXC maintains a compensation recoupment or "clawback" policy that permits DXC to recover cash or equity performance-based compensation from participants whose fraud or intentional illegal conduct materially contributes to a financial restatement. The policy allows for the recovery of the difference between compensation awarded or paid and the amount which would have been paid had it been calculated based on the restated financial statements, excluding any tax payments. In addition, under DXC's equity grant agreements, employees may be required to forfeit awards or gains if a recipient breaches the non-competition, non-solicitation of employees, or non-disclosure provisions of such agreements.

Summary Compensation Table

The following table provides information on the compensation of Mr. Kavanaugh and Mr. Gallagher paid or awarded by DXC for DXC Fiscal 2018.

Name & Principal Position (a)	Fiscal Year (b)	Salary ¹ (c)	Bonus (d)	Stock Awards ² (e)	Option Awards (f)	Non-Equity Incentive Plan Compensation ³ (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ⁴ (h)	All Other Compensation ⁵ (i)	Total (j)
John Kavanaugh Chief Financial Officer	2018	\$350,000	\$ 40,100	\$149,832	\$0	\$210,000	\$0	\$8,290	\$758,222
James Gallagher General Counsel and Secretary	2018	\$262,232	\$268,741	\$ 79,458	\$0	\$157,339	\$0	\$3,963	\$771,733

- (1) The amount shown reflects each employee's annualized salary rate for DXC Fiscal 2018. All employees listed in the table are paid in U.S. dollars.
- (2) The amounts shown in Column (e) do not reflect compensation actually received by the employees listed in the table, but instead represent the aggregate grant date fair values computed in accordance with FASB ASC Topic 718 for performance-vesting and service-vesting RSUs granted during the fiscal year. Pursuant to SEC rules, we present the amounts excluding the impact of estimated forfeitures. RSUs are valued based on the closing price of DXC common stock on the applicable grant date. These awards have been determined based on certain assumptions. The assumptions related to these awards are described in Note 4 in the notes to our combined financial statements included elsewhere in this Information Statement.

A substantial portion of the stock awards granted consisted of PSUs. For all PSUs, the amounts included in Column (e) reflect the value at the grant date based upon the estimated performance during the performance period at 100% of target. The maximum grant date values of the stock awards granted during DXC Fiscal 2018 (including service-vesting RSUs, and assuming that PSUs were to have a pay out at the maximum of 200% of target) are as follows:

<u>Name</u>	<u>DXC Fiscal 2018 Stock Awards at Maximum Value</u>
John Kavanaugh	\$224,096
James Gallagher	\$135,117

- (3) Amounts earned during DXC Fiscal 2018 under the EICP are based on DXC's fiscal year ending March 31, 2018, have not been determined as of the date of this filing and may not be determined until after the date of the Spin-Off. The amount shown reflects the target amount of each employee's DXC Fiscal 2018 EICP award, but the actual amount earned may range from 0% to 200% of this amount, depending on the outcome of the performance goals and other factors discussed under "Annual Incentive Compensation" in the CD&A, above, for DXC Fiscal 2018.
- (4) DXC does not currently sponsor or maintain a pension plan. None of the individuals listed in the table received any above-market or preferential earnings under any nonqualified deferred compensation plan for the year presented in the table.
- (5) Column (i) includes the total dollar amount of all other compensation paid to each individual listed in the table. During DXC Fiscal 2018, DXC made matching contributions to DXC's broad-based 401(k) defined contribution plan on behalf of Mr. Kavanaugh and Mr. Gallagher. DXC also paid premiums for a life insurance policy for the benefit of Mr. Kavanaugh and Mr. Gallagher, each of whom has not received nor will receive, nor has been allocated, an interest in any cash surrender value under this policy. None of the individuals listed in the table received any perquisites during DXC Fiscal 2018.

The amount of matching contributions to the defined contribution plan and life insurance premiums paid for each individual listed in the table in Fiscal Year 2018 are set forth below:

Name	401(k) Plan Matching Contributions	Basic Life Insurance Premiums	Total
John Kavanaugh	\$7,721	\$569	\$8,290
James Gallagher	\$3,537	\$426	\$3,963

All employees (including Mr. Kavanaugh and Mr. Gallagher) with at least one year of service are vested in the matching contributions credited to their 401(k) accounts.

Grants of Plan-Based Awards

The following table provides information on EICP awards and RSUs granted to Mr. Kavanaugh and Mr. Gallagher in DXC Fiscal 2018.

Name (a)	Grant Date (b)	Approval Date (c)	Estimated Future Payouts Under Non- Equity Incentive Plan Awards ¹			Estimated Future Payouts Under Equity Incentive Plan Awards ²			All Other Stock Awards: Number of Shares of Stock or Units (j)	All Other Option Awards: Number of Securities Underlying Options (k)	Exercise or Base Price of Option Awards (l)	Grant Date Fair Value of Stock and Option Awards (m)
			Threshold (d)	Target (e)	Maximum (f)	Threshold (g)	Target (h)	Maximum (i)				
John Kavanaugh												
EICP	—	—	\$105,000	\$210,000	\$420,000	—	—	—	—	—	—	—
RSUs-Performance	5/31/17	5/31/17	—	—	—	60	958	1,916	—	—	—	\$74,264
RSUs-Service	5/31/17	5/31/17	—	—	—	—	—	—	410	—	—	\$31,783
RSUs-Retention	8/15/17	8/15/17	—	—	—	—	—	—	513	—	—	\$43,785
James Gallagher												
EICP	—	—	\$ 78,669	\$157,339	\$314,678	—	—	—	—	—	—	—
RSUs-Performance	5/31/17	5/31/17	—	—	—	45	718	1,436	—	—	—	\$55,659
RSUs-Service	5/31/17	5/31/17	—	—	—	—	—	—	307	—	—	\$23,799

- (1) The amounts shown in Columns (d), (e) and (f) reflect the threshold, target and maximum amounts that may be earned under DXC's EICP for awards granted in DXC Fiscal 2018, which relate to DXC's fiscal year ending on March 31, 2018.
- (2) These columns represent the threshold, target and maximum number of shares that may be earned under the PSU awards granted by DXC in DXC Fiscal 2018, which relate to the three-year performance period ending March 31, 2020. The number of shares that may be earned ranges from 6.25% of the target shares if the DXC Fiscal 2018 or Fiscal 2019 FCF threshold is met, to a maximum of 200% of the target shares if DXC's Fiscal 2020 EPS and FCF maximums is achieved. The threshold number contained in Column (g) represents achievement of 6.25% of target, but the actual payment may range to zero.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information on unexercised DXC stock options and unvested DXC RSUs held by Mr. Kavanaugh and Mr. Gallagher as of March 31, 2018, the last day of DXC Fiscal 2018.

Name (a)	Grant Date	Option Awards				Stock Awards			
		Number of Securities Underlying Unexercised Options (b)	Number of Securities Underlying Unexercised Options (c)	Option Exercise Price (d)	Option Expiration Date (e)	Number of Shares or Units of Stock That Have Not Vested (f)	Market Value of Shares or Units of Stock That Have Not Vested ¹ (g)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested ² (h)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ^{1,2} (i)
John Kavanaugh	8/15/13	5,550	0	\$23.14	8/15/23	—	—	—	—
	5/16/14	6,178	0	\$27.47	5/16/14	—	—	—	—
	12/15/15	—	—	—	—	20,893 ⁵	\$2,100,373	—	—
	5/27/16	—	—	—	—	2,265 ⁶	\$ 227,700	—	—
	5/31/17	—	—	—	—	—	—	958 ³	\$96,308
	5/31/17	—	—	—	—	410 ⁴	\$ 41,217	—	—
	8/15/17	—	—	—	—	513 ⁷	\$ 51,572	—	—
James Gallagher	12/10/14	2,189	0	\$60.78	12/9/22	—	—	—	—
	12/9/15	1,295	0	\$43.44	12/8/23	—	—	—	—
	5/31/17	—	—	—	—	—	—	718 ³	\$72,181
	5/31/17	—	—	—	—	307 ⁴	\$ 30,863	—	—

(1) The market value of service-vesting RSUs shown in column (g) and PSUs shown in Column (i) is based on the \$100.53 closing market price of DXC common stock on March 29, 2018.

(2) The number of unearned PSUs and the market value of unearned PSUs shown in Columns (h) and (i) are based on achieving target performance goals for the PSUs granted during DXC Fiscal 2018.

(3) Target number of Fiscal 2018 PSU grants. Between 0-200% of target shares will vest after the end of Fiscal 2020, subject to achievement of performance goals.

(4) Shares will vest in equal thirds on May 31, 2018, May 31, 2019 and May 31, 2020.

(5) Shares will vest on December 15, 2018.

(6) Shares will vest on May 27, 2018.

(7) Shares will vest on August 15, 2018.

Options Exercise and Stock Vested

The following table provides information on DXC stock options and DXC RSUs that were exercised by Mr. Kavanaugh and Mr. Gallagher or that vested during DXC Fiscal 2018.

Name (a)	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (b)	Value Realized on Exercise (c)	Number of Shares Acquired on Vesting (d)	Value Realized on Vesting (e)
John Kavanaugh	7,642	\$283,315	5,026	\$377,901
James Gallagher	0	\$ 0	0	\$ 0

Pension Benefits

DXC did not maintain any qualified or nonqualified defined-benefit pension plan during DXC Fiscal 2018.

Nonqualified Deferred Compensation

None of Mr. Kavanaugh or Mr. Gallagher participated in any nonqualified deferred compensation plan maintained by DXC during DXC Fiscal 2018.

Potential Payments Upon Change in Control and Termination of Employment

As noted above, none of Mr. Kavanaugh or Mr. Gallagher participates in any of the DXC severance plans or policies for executive officers of DXC. Instead, each of these individuals is eligible for severance benefits under the DXC Workforce Reduction Policy. The severance benefits provided by DXC during DXC Fiscal 2018 for Mr. Kavanaugh and Mr. Gallagher are described below. Mr. Kavanaugh and Mr. Gallagher are also eligible for accelerated vesting of their outstanding equity awards in certain circumstances pursuant to the terms of their awards as described below.

Change in Control Termination Benefits

The table below reflects the value of compensation and benefits that might have been payable under DXC plans and arrangements existing as of March 31, 2018, the last day of DXC Fiscal 2018, if a change in control had occurred on that date and, in circumstances explained below, Mr. Kavanaugh's and Mr. Gallagher's employment had terminated. These amounts are reported based upon each individual's compensation and service levels as of such date and, if applicable, and in accordance with SEC regulations, based on DXC's closing stock price of \$100.53 on March 29, 2018, the last trading day of DXC Fiscal 2018. These benefits are in addition to benefits available prior to the occurrence of any termination of employment, including under then-exercisable stock options, retirement plans and deferred compensation plans, and benefits available generally to salaried employees, such as distributions under DXC's broad-based 401(k) plan.

The actual amounts that would be paid upon an executive'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, DXC's stock price and the executive's age and service.

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 DXC Workforce Reduction Policy, upon an involuntary termination without cause following a change in control, eligible employees may receive a cash severance benefit up to 8 weeks of pay based on their respective years of service;

- **Benefits Continuation:** The DXC Workforce Reduction Policy provide that upon an involuntary termination without cause following a change in control, DXC will pay the applicable premium for the first 30 days of COBRA continuation coverage for eligible employees who elect COBRA
- **Equity Awards:** The amounts reported in the table below are the intrinsic value of RSU awards (including PSUs) that 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 such date);
- **No Excise Tax Gross-Up:** None of Mr. Kavanaugh or Mr. Gallagher is entitled to an excise tax gross up.

Name	Cash Severance Benefit ¹	Misc. Benefits Continuation	Early Vesting of:			Total Payments ³
			Stock Options	Time Vesting RSUs ²	PSUs ²	
John Kavanaugh	\$26,923	\$1,435	\$0	\$2,420,862	\$96,308	\$2,545,528
James Gallagher	\$30,258	\$ 809	\$0	\$ 30,863	\$72,181	\$ 134,111

- (1) The cash severance benefit is equal to (i) 4 weeks of base salary for Mr. Kavanaugh; and (ii) 6 weeks of base salary for Mr. Gallagher, based on each individual's years of service per the DXC Workforce Reduction Policy.
- (2) The intrinsic value of RSUs and PSUs, per share, is equal to the closing market price of DXC common stock on March 29, 2018 (\$100.53).
- (3) Total Payments do not reflect any potential 280G excise taxes payable by executives.

Termination Benefits Unrelated to Change in Control

The table below reflects the value of compensation and benefits that might have been payable under DXC plans and arrangements existing as of March 31, 2018, the last day of DXC Fiscal 2018, if Mr. Kavanaugh's and Mr. Gallagher's employment had been terminated on that date in the circumstances explained below. These amounts are reported based upon each individual's compensation and service levels as of such date and, if applicable, in accordance with SEC regulations, based on DXC's closing stock price of \$100.53 on March 29, 2018, the last trading day of DXC Fiscal 2018. These benefits are in addition to benefits available prior to the occurrence of any termination of employment, including under then-exercisable stock options, retirement plans and deferred compensation plans, and benefits available generally to salaried employees, such as distributions under DXC's broad-based 401(k) plan.

The actual amounts that would be paid upon each individual's termination of employment absent 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, DXC's stock price and the executive's age and service.

The benefits payable as a result of a termination of employment as reported in the columns of this table are as follows.

- **Cash Severance Benefit:** Under the DXC Workforce Reduction Policy, upon an involuntary termination without cause, eligible employees may receive a cash severance benefit up to 8 weeks of pay based on their respective years of service;
- **Benefits Continuation:** The DXC Workforce Reduction Policy provides that upon an involuntary termination without cause, DXC will pay the applicable premium for the first 30 days of COBRA continuation coverage for eligible employees who elect COBRA; and
- **Equity Awards:** No unvested equity awards granted during DXC Fiscal 2018 would have become vested upon Mr. Kavanaugh's or Mr. Gallagher's termination of employment absent a change in control. Unvested equity awards (RSUs) granted to Mr. Kavanaugh prior to DXC Fiscal 2018 would have become vested upon Mr. Kavanaugh's qualifying termination of employment based on the prior change in control of CSC.

<u>Name</u>	<u>Cash Severance Benefit¹</u>	<u>Benefits Continuation</u>	<u>Equity Awards</u>	<u>Aggregate Payments</u>
John Kavanaugh	\$26,923	\$1,435	\$2,328,073	\$28,358
James Gallagher	\$30,258	\$ 809	\$ 0	\$31,066

(1) The cash severance benefit is equal to (i) 4 weeks of base salary for Mr. Kavanaugh; and (ii) 6 weeks of base salary for Mr. Gallagher, based on each individual's years of service per the DXC Workforce Reduction Policy.

Vesting of Equity Awards Upon Terminations of Employment. All DXC annual equity awards provide for accelerated vesting (unless the DXC Compensation Committee determines otherwise) upon retirement, other than for Cause (as defined below), at age 62 or older with at least 10 years of service (and, in the case of PSUs, provided the executive's retirement date is more than one year after the grant date). None of Mr. Kavanaugh or Mr. Gallagher is eligible to retire under this definition. In addition, all annual equity awards provide for accelerated vesting upon an executive's termination of employment due to death or permanent disability, with vesting of PSUs occurring with respect to only a pro-rata fraction of the target amount (based on the executive's service during the applicable performance period), as opposed to the full target amount, if such termination occurred during the applicable performance period. If Mr. Kavanaugh or Mr. Gallagher had terminated employment due to death or permanent disability, they would each have received the amounts shown next to their respective names for early vesting of service-vesting RSUs and PSUs on the Change in Control Termination Benefits table above, except that amounts for PSU grants would be pro-rated.

For purposes of the equity awards, "Cause" means:

- fraud, misappropriation, embezzlement or other act of material misconduct against DXC or any of its affiliates;
- conviction of a felony involving a crime of moral turpitude;
- willful and knowing violation of any rules or regulations of any governmental or regulatory body material to the business of DXC; or
- substantial and willful failure to render services in accordance with the terms of his or her employment (other than as a result of illness, accident or other physical or mental incapacity), provided that (i) a demand for performance of services has been delivered to the employee in writing by the employee's supervisor at least 60 days prior to termination identifying the manner in which such supervisor believes that the employee has failed to perform and (ii) the employee has thereafter failed to remedy such failure to perform.

There are provisions in the award agreements for all stock options and RSUs (including PSUs) which require the holder of such securities to deliver to DXC an amount in cash equal to the intrinsic value of the securities on the date (the "Realization Date") they vested (in the case of RSUs or restricted stock) or were exercised (in the case of stock options) if the holder:

- competes with DXC after voluntary termination of employment and prior to six months after the Realization Date, or
- solicits DXC's customers or solicits for hire or hires DXC's employees, or discloses DXC's confidential information, after voluntary or involuntary termination of employment and prior to one year after a Realization Date.

These forfeiture provisions do not apply if there is a change in control within three years prior to the employment termination date.

Director Compensation

As a business unit of DXC prior to the Spin-Off, USPS did not have any non-employee directors. Prior to the Spin-Off, the DXC Compensation Committee reviewed and approved the recommended form and terms of our non-employee director compensation program for periods after the Spin-Off and Mergers. These recommendations, which are set forth below, are subject to the approval of our Compensation Committee.

The recommended compensation program for our non-employee directors for periods after the Spin-Off and Mergers is as follows:

Annual Cash Compensation	\$ 75,000
Annual Equity Compensation	\$135,000
Chairperson of the Board Leadership Compensation Premium	\$100,000
Audit Committee Chairperson Compensation	\$ 25,000
Compensation Committee Chairperson Compensation	\$ 20,000
Nominating & Corporate Governance Committee Chairperson Compensation . .	\$ 15,000
Audit Committee Member Compensation	\$ 12,500
Compensation Committee Member Compensation	\$ 10,000
Nominating & Corporate Governance Committee Member Compensation	\$ 7,500

The recommended equity vehicle for the annual equity compensation is restricted stock units with a one-year vesting period.

In addition, prior to the Spin-Off, the DXC Compensation Committee reviewed and approved recommended stock ownership guidelines for our non-employee directors for periods after the Spin-Off and Mergers equal to five times each director's annual cash compensation (\$375,000), to be achieved over a five-year period.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Agreements with DXC

Following the Distribution, DXC will not own any of our shares and we will operate independently of DXC. In addition, we do not expect to depend on DXC to conduct our business following the Distribution apart from certain limited transitional support services as well as IP licenses and non-U.S. agency services. In order to govern the ongoing relationships between us and DXC after the Spin-Off and to facilitate an orderly transition, we and DXC intend to enter into agreements providing for various services and rights following the Spin-Off and under which we and DXC will agree to indemnify each other against certain liabilities arising from our respective businesses. For a summary of the terms of the material agreements we expect to enter into with DXC, see “The Separation and Distribution Agreement and the Ancillary Agreements”. Following the Distribution, our Chairman, Mr. J. Michael Lawrie will continue serving as Chairman, President and CEO of DXC. Accordingly, transactions with DXC may continue to constitute related party transactions under SEC rules and under our related party transactions policy.

Agreement with Veritas Capital Management

For a summary of the terms of our agreement with Veritas Capital Management, see “The Separation and Distribution Agreement and the Ancillary Agreements—Side Letter Agreement”.

Related Party Transaction Policy

Our Board of Directors intends to adopt a written policy requiring the approval by the Nominating/Corporate Governance Committee of all transactions in excess of \$120,000 between Perspecta and any related person. For the purposes of this policy, a related person is any person who was in any of the following categories at any time during the fiscal year: (i) a director or executive officer of Perspecta; (ii) any nominee for director; (iii) 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); (iv) any beneficial owner of more than 5% of Perspecta’s common stock; or (v) any immediate family member of any such beneficial owner. A transaction includes, but is not limited to, 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. For as long as there are any members of our Board of Directors associated with or employed by DXC, each will recuse himself or herself from decisions by our Board of Directors regarding matters relating to DXC including matters relating to the agreements between us and DXC described above.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND EXECUTIVE OFFICERS OF PERSPECTA

As of the date of this Information Statement, DXC beneficially owns all the outstanding shares of our common stock. After the Spin-Off, DXC will not own any shares of our common stock. The following table provides information regarding the anticipated beneficial ownership of our common stock at the time of the Distribution by:

- each of our stockholders who we believe (based on the assumptions described below) will beneficially own more than 5% of our outstanding common stock;
- each of our directors following the Spin-Off;
- each of our executive officers following the Spin-Off; and
- all of our directors and executive officers following the Spin-Off as a group.

Except as otherwise noted below, we based the share amounts on each person's beneficial ownership of DXC common stock on March 13, 2018, giving effect to a distribution ratio of one share of our common stock for every two shares of DXC common stock he, she or it held.

To the extent our directors and executive officers own DXC common stock at the Record Date of the Spin-Off, they will participate in the Distribution on the same terms as other holders of DXC common stock.

Except as otherwise noted in the footnotes below, each person or entity identified in the table has sole voting and investment power with respect to the securities he, she or it holds.

Immediately following the Spin-Off, we estimate that _____ shares of our common stock will be issued and outstanding, based on the approximately _____ shares of DXC common stock outstanding on _____. The actual number of shares of our common stock outstanding following the Spin-Off will be determined on _____, the Record Date.

<u>Name and Address of Beneficial Owner ¹</u>	<u>Number of Shares Beneficially Owned</u>	<u>Percentage of Class</u>
Veritas Capital Fund Management, L.L.C. 590 Madison Avenue New York, New York, 10022	²	14.03% ²
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, Pennsylvania 19355	10,425,851 ³	7.30% ³
BlackRock, Inc. 40 East 52nd Street New York, New York 10022	9,167,093 ⁴	6.4% ⁴
Dodge & Cox 555 California Street, 40th Floor, San Francisco, California 94104	8,968,384 ⁵	6.30% ⁵
John M. Curtis	—	—
John Kavanaugh	1,298 ^{6,7}	— ⁸
James Gallagher	1,929 ^{6,7}	— ⁸
J. Michael Lawrie	295,505	— ⁸
Ramzi M. Musallam	⁹	14.03% ⁹
Sondra Barbour	—	—
Sanju K. Bansal	—	—
Lisa Disbrow	—	—
Pamela Kimmet	—	—
Philip O. Nolan	—	—
Biggs C. Porter	—	—
Paul N. Saleh	68,144	— ⁸
All executive officers and directors of the Company, as a group	¹⁰	10

¹ Unless otherwise indicated, the address of each person or group is c/o Perspecta, 13600 EDS Drive, Herndon, VA 20171.

² Immediately following consummation of the Mergers, we estimate that Veritas Capital Management will beneficially own approximately _____ shares representing approximately 14.03% of our outstanding common stock as a result of being a parent company or control person of the Vencore Stockholder and the Keypoint Stockholder.

³ Based solely on the most recently available Schedule 13G filed by The Vanguard Group (“Vanguard”) with the SEC on February 7, 2018 regarding DXC. The Schedule 13G regarding DXC provides that Vanguard has sole voting power over 405,617 shares of DXC, shared voting power over 68,038, sole dispositive power over 20,386,782 shares of DXC and share dispositive power over 464,921 shares of DXC.

⁴ Based solely on the most recently available Schedule 13G filed with the SEC on February 1, 2018 by BlackRock, Inc. (“BlackRock”) regarding DXC. The Schedule 13G regarding DXC provides that (i) BlackRock is a parent holding company or control person and (ii) BlackRock, through its subsidiaries identified therein, had sole voting power over 16,063,032 shares of DXC and sole dispositive power over 18,334,186 shares of DXC.

⁵ Based solely on the most recently available Schedule 13G/A filed with the SEC on March 20, 2017 regarding HPE. According to its Schedule 13G/A, Dodge & Cox reported having sole voting power over 200,778,540 shares of HPE, shared voting power over no shares of HPE, sole dispositive power over 208,800,172 shares of HPE and shared dispositive power over no shares of HPE. The securities

- reported on the Schedule 13G/A are beneficially owned by clients of Dodge & Cox, which clients may include investment companies registered under the Investment Company Act of 1940 and other managed accounts, and which clients have the right to receive or the power to direct the receipt of dividends from, and the proceeds from the sale of, DXC's stock.
- 6 With respect to Mr. Gallagher and all executive officers and directors of the Company as a group, includes 1,742 shares of common stock, subject to employee options which were outstanding on April 1, 2018, 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 Percentage of Class.
- 7 With respect to Mr. Kavanaugh, Mr. Gallagher and all executive officers and directors of the Company as a group, includes 51; 1,201; 1,252 shares of unvested outstanding on April 1, 2018 which are anticipated to vest within 60 thereafter. Holders of unvested restricted stock units have sole voting power, but no investment power, with respect thereto.
- 8 Less than 1%.
- 9 Mr. Musallam is a member of our Board of Directors is also the Managing Partner of Veritas Capital Management. Mr. Musallam may be deemed a beneficial owner of the shares of common stock beneficially owned by Veritas Capital Management and its affiliated investment funds and certain co-investors.
- 10 The executive officers and directors, as a group, have sole voting and investment power with respect to shares.

DESCRIPTION OF OUR CAPITAL STOCK

General

Prior to the Distribution, DXC, as our sole stockholder, will approve and adopt our Amended and Restated Articles of Incorporation, and our Board of Directors will approve and adopt our Amended and Restated Bylaws. The following summarizes information concerning our capital stock, including material provisions of our Amended and Restated Articles of Incorporation, our Amended and Restated Bylaws and certain provisions of Nevada law. You are encouraged to read our form of Amended and Restated Articles of Incorporation and our form of Amended and Restated Bylaws, which are filed as exhibits to our Registration Statement on Form 10, of which this Information Statement is part, for greater detail with respect to these provisions.

Authorized Capital Stock

Immediately following the Spin-Off, our authorized capital stock will consist of 750,000,000 shares of common stock, par value \$0.01 per share, and 1,000,000 shares of preferred stock, par value \$0.01 per share.

Shares Outstanding

Immediately following the Spin-Off, we estimate that approximately _____ shares of our common stock will be issued and outstanding, based on approximately _____ shares of DXC common stock outstanding as of _____. The actual number of shares of our common stock outstanding immediately following the Spin-Off will depend on the actual number of shares of DXC common stock outstanding on the Record Date, and will reflect any issuance of new shares or exercise of outstanding options pursuant to DXC's equity plans and any repurchases of DXC shares by DXC pursuant to its common stock repurchase program, in each case on or prior to the Record Date.

Common Stock

The following description of our capital stock sets forth general terms and provisions of our common stock and preferred stock based on the provisions of our Amended and Restated Articles of Incorporation, our Amended and Restated Bylaws and provisions of applicable Nevada law.

Holders of our common stock are entitled to one vote per share on all matters to be voted upon by our 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 our Amended and Restated Articles of Incorporation or Amended and Restated Bylaws.

Subject to the rights of any holders of our preferred stock, the holders of our common stock are entitled to receive ratably dividends, if any, as may be declared from time to time by our Board of Directors out of funds legally available for the payment of dividends. However, if our Board of Directors grants rights of cumulative dividends to any series of our preferred stock, our Amended and Restated Articles of Incorporation limit our ability to take certain actions, including with respect to the payment of dividends on our 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 our 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 our preferred stock that is entitled to cumulative dividends remains unpaid for any period to and including the preceding dividend date, we may not purchase or redeem any shares of our capital stock.

In the event of our liquidation, dissolution or winding up, after all liabilities and the holders of each series of preferred stock have been paid in full, the holders of our common stock are entitled to share ratably in all

remaining assets. Our common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which we may designate and issue in the future.

Preferred Stock

Our 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 Chapter 78 of the Nevada Revised Statutes (the “Nevada Corporation Law”), our 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 is 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.

Our Board of Directors has the power to issue our preferred stock with voting, conversion and exchange rights that could negatively affect the voting power or other rights of our common stockholders, and the Board of Directors could take that action without stockholder approval. The issuance of our preferred stock could delay or prevent a change in control of our company.

If our 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 our 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 are 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 Perspecta.

In addition, so long as accrued dividends with respect to any series of our preferred stock that is entitled to cumulative dividends remains unpaid for any period to and including the preceding dividend date, we may not purchase or redeem any shares of our capital stock.

Anti-Takeover Effects of Various Provisions of Nevada Law and Our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws.

Provisions of the Nevada Corporation Law and our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws could make it more difficult to acquire us 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 our Board of Directors may consider inadequate and to encourage persons seeking to acquire control of us to first negotiate with us. We believe that the benefits of increased protection of our ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us 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. Our Amended and Restated Articles of Incorporation permit our Board of Directors to issue our preferred stock with voting, conversion and exchange rights that could negatively affect the voting power or other rights of our common stockholders, and the Board of Directors could take that action without stockholder approval. The issuance of our preferred stock could delay or prevent a change of control of Perspecta.

Board Vacancies to be Filled by Remaining Directors and Not Stockholders. Our Amended and Restated 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. Our Amended and Restated Bylaws and the 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. Our Amended and Restated 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. Our Amended and Restated 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. Our Amended and Restated 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 our Amended and Restated 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 our Amended and Restated 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 our secretary at our 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 our Amended and Restated Bylaws, but only if the stockholder notice is delivered to our secretary at our principal executive offices not earlier than the 120th day prior to such special meeting and not later than the close of business on the later of (1) the 90th 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 our Board of Directors to be elected at such meeting.

Amendments to our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws. Under the Nevada Corporation Law, our Amended and Restated Articles of Incorporation may not be amended by stockholder action alone. Amendments to the Amended and Restated Articles of Incorporation require a board resolution approved by the majority of the outstanding capital stock entitled to vote. Our Amended and Restated Bylaws may only be amended by stockholders upon the affirmative vote of not less than a majority of the outstanding capital stock entitled to vote. Subject to the right of stockholders as described in the immediately preceding sentence, our Amended and Restated Bylaws may be adopted, amended or repealed by our Board of Directors.

Nevada Anti-Takeover Statute. We are 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. Our Amended and Restated Articles of Incorporation prohibits cumulative voting in the election of directors.

Limitations on Liability and Indemnification of Officers and Directors

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. Our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws include provisions that require us to indemnify, to the fullest extent allowable under the Nevada Corporation Law, our directors or officers against monetary damages for actions taken as a director or officer of our company, or for serving at our request as a director or officer or another position at another corporation or enterprise, as the case may be. Our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws also provide that we must indemnify and advance reasonable expenses to our directors and officers, subject to our receipt of an undertaking from the indemnified party as may be required under the Nevada Corporation Law. We are also expressly authorized to carry directors' and officers' insurance to protect our company, our directors, officers and certain employees for some liabilities.

The limitation of liability and indemnification provisions under the Nevada Corporation Law and in our Amended and Restated Articles of Incorporation and Amended and Restated 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 us and our stockholders. However, these provisions do not limit or eliminate our 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, we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

Authorized but Unissued Shares

Our authorized but unissued shares of common stock and preferred stock are available for future issuance without your approval. We 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 us by means of a proxy contest, tender offer, merger or otherwise.

Stock Exchange Listing

We intend to list our common stock on NYSE under the symbol "PRSP."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock will be EQ Shareowner Services.

Direct Registration System

Our common stock will be registered in book-entry form through the direct registration system. Under this system, ownership of our common stock is reflected in account statements periodically distributed to stockholders by EQ Shareowner Services, our transfer agent, who holds the book-entry shares on behalf of our common stockholders.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a Registration Statement on Form 10 with the SEC with respect to the shares of our common stock that DXC's stockholders will receive in the Distribution as contemplated by this Information Statement. This Information Statement is a part of, and does not contain all the information set forth in, the Registration Statement and the other exhibits and schedules to the Registration Statement. For further information with respect to us and our common stock, please refer to the Registration Statement including its other exhibits and schedules. Statements we make in this Information Statement relating to any contract or other document are not necessarily complete and you should refer to the exhibits attached to the Registration Statement for copies of the actual contract or document. You may review a copy of the Registration Statement including its exhibits and schedules at the SEC's public reference room, located at 100 F Street, N.E., Washington, D.C. 20549, as well as on the Internet website maintained by the SEC at www.sec.gov. Please call the SEC at 1-800-SEC-0330 for more information on the public reference room. Information contained on, or hyperlinked from, any website we refer to in this Information Statement does not and will not constitute a part of this Information Statement or the Registration Statement on Form 10 of which this Information Statement is a part.

As a result of the Spin-Off, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with the Exchange Act, we will file periodic reports, proxy statements and other information with the SEC.

You may request a copy of any of our filings with the SEC at no cost by writing us at the following address:

Before the Spin-Off, at:

Jonathan Ford
Director of Investor Relations
DXC Technology Company
1775 Tysons Boulevard
Tysons, VA 22102
Phone: 703-245-9700

After the Spin-Off, at:

Investor Relations
Perspecta
13600 EDS Drive
Herndon, VA 20171
Phone: 703-245-9675

We intend to furnish holders of our common stock with annual reports containing combined financial statements prepared in accordance with U.S. generally accepted accounting principles and audited and reported on by an independent registered public accounting firm.

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Disclosure on Registered Public Accounting Firm Independence

Deloitte & Touche LLP (“Deloitte”) advised the audit committee (the “Audit Committee”) of DXC that it performed certain prohibited non-audit services for HP Inc. (“HP”) and Hewlett Packard Enterprise (“HPE”) during the period from November 1, 2013 through March 31, 2017. Services that indirectly related to the carve-out business of Perspecta (“Perspecta”) included management functions, bookkeeping services, and a human resource service. Services that did not relate to the carve-out business of Perspecta comprised management functions. Deloitte also advised the Audit Committee that it had prohibited business relationships with, HP Inc. and Hewlett Packard Enterprise during the period from November 1, 2013 through March 31, 2017, a small portion of which related to the carve-out business of Perspecta. These non-audit services, and business relationships were prohibited under the U.S. Securities and Exchange Commission’s (the “SEC”) auditor independence rules.

- Deloitte informed the Audit Committee that for the following reasons Deloitte will maintain objectivity and impartiality on all issues encompassed within the audit of the carve-out financial statements of Perspecta for the years ended October 31, 2014, 2015, and 2016 and the five-month period from November 1, 2016 to March 31, 2017:
- Deloitte was not the auditor of HP or HPE for any period
- Perspecta operates only in the US and as such it is unlikely any services provided by Deloitte directly impacted Perspecta
- Perspecta was not treated as a separate reportable segment of HP or HPE for US GAAP reporting purposes
- Perspecta’s financial statements will be prepared by DXC
- All identified relationships noted above were terminated prior to the merger resulting in the formation of DXC
- The prohibited non-audit services noted above were not provided by the DXC or Perspecta Deloitte audit engagement team
- DXC conducted a rigorous process to identify an independent registered public accounting firm; no other firms that management thought had the capacity and experience to complete the audit engagement were independent of DXC and Perspecta
- The prohibited non-audit services noted above will not be subject to Deloitte’s audit of Perspecta
- Deloitte’s business relationships that related to Perspecta were inconsequential to Perspecta’s financial statements
- Appropriate measures will be implemented with respect to the audit engagement team.

After considering the facts and circumstances, the Audit Committee concurred in Deloitte’s conclusion that, for the reasons described, the aforementioned matters will not impair Deloitte’s objectivity and impartiality with respect to the planning and execution of the carve-out financial statements of Perspecta for the years ended October 31, 2014, 2015, and 2016 and the five-month period from November 1, 2016 to March 31, 2017.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
DXC Technology Company

Opinion on the Financial Statements

We have audited the accompanying combined balance sheets of the U.S. Public Sector Business of DXC Technology Company (the “Company”) as of March 31, 2017, October 31, 2016 and 2015 and the related combined statements of operations, equity, and cash flows for the five-month period from November 1, 2016 to March 31, 2017 and for each of the three fiscal years ended October 31, 2016, 2015 and 2014. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2017 and October 31, 2016 and 2015, and the results of its operations and its cash flows for the five-month period from November 1, 2016 to March 31, 2017 and for each of the three fiscal years in the period ended October 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, DXC Technology Company (“DXC”) acquired the Company through the merger of Computer Sciences Corporation and the Enterprise Services Business of Hewlett-Packard Enterprise Company (“HPE”) on April 1, 2017. These combined financial statements of the Company were derived from the consolidated and combined financial statements and accounting records of HPE as if the Company were operated on a standalone basis during the periods presented. The combined statements of operations of the Company reflect allocations of general corporate expenses of DXC. These allocations may not reflect the expense the Company would have incurred as a standalone company for the periods presented.

/s/ DELOITTE & TOUCHE LLP
McLean, Virginia
February 8, 2018

We have served as the Company’s auditor since 2017.

United States Public Sector Business of DXC Technology Company

Combined Statements of Operations

(in millions)	Five Months Ended	Fiscal Years Ended		
	March 31, 2017	October 31, 2016	October 31, 2015	October 31, 2014
Revenues	\$1,073	\$2,732	\$2,585	\$2,955
Costs of services (excludes depreciation and amortization and restructuring costs)	820	2,086	2,101	2,144
Selling, general, and administrative (excludes depreciation and amortization and restructuring costs)	77	207	242	318
Depreciation and amortization	73	225	214	227
Restructuring costs	—	20	22	12
Separation costs	34	34	28	—
Interest expense	10	36	33	36
Interest income	—	(5)	(4)	(3)
Total costs and expenses	1,014	2,603	2,636	2,734
Income (loss) before taxes	59	129	(51)	221
Income tax provision (benefit)	23	49	(22)	83
Net income (loss)	\$ 36	\$ 80	\$ (29)	\$ 138

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

United States Public Sector Business of DXC Technology Company

Combined Balance Sheets

(in millions)	As of		
	March 31, 2017	October 31, 2016	October 31, 2015
ASSETS			
Current assets:			
Cash and cash equivalents	\$ —	\$ —	\$ —
Receivables, net of allowance for doubtful accounts of \$0, \$0 and \$1 . . .	391	423	602
Prepaid expenses	98	138	149
Deferred contract costs	22	11	97
Total current assets	511	572	848
Intangible assets, net of accumulated amortization of \$60, \$273 and \$217 . . .	27	24	73
Deferred income taxes, net	40	78	64
Property and equipment, net of accumulated depreciation of \$373, \$507 and \$471	469	523	508
Other assets	26	37	19
Total Assets	<u>\$1,073</u>	<u>\$1,234</u>	<u>\$1,512</u>
LIABILITIES and EQUITY			
Current liabilities:			
Current capital lease liability	139	145	127
Accounts payable	107	151	144
Accrued payroll and related costs	12	24	27
Accrued expenses and other current liabilities	132	211	216
Deferred revenue and advance contract payments	76	118	179
Total current liabilities	466	649	693
Non-current capital lease liability	155	215	223
Non-current deferred revenue	22	23	32
Other long-term liabilities	14	9	9
Total Liabilities	657	896	957
Commitments and contingencies			
Equity:			
Parent company investment	416	338	555
Total Equity	416	338	555
Total Liabilities and Equity	<u>\$1,073</u>	<u>\$1,234</u>	<u>\$1,512</u>

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

United States Public Sector Business of DXC Technology Company

Combined Statements of Cash Flows

(in millions)	Five Months Ended	Fiscal Years Ended		
	March 31, 2017	October 31, 2016	October 31, 2015	October 31, 2014
Cash flows from operating activities:				
Net income (loss)	\$ 36	\$ 80	\$ (29)	\$ 138
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	73	225	214	227
Stock-based compensation	7	20	23	17
Restructuring charges	—	20	22	12
Deferred taxes	38	(14)	(36)	(77)
Other non-cash charges, net	(1)	(3)	6	11
Changes in assets and liabilities, net of effects of acquisitions and dispositions:				
Decrease (increase) in receivables	32	179	(57)	40
Decrease (increase) in prepaid expenses and other assets	40	79	(86)	11
(Decrease) increase in accounts payable and accruals	(125)	—	(41)	65
(Decrease) increase in advanced contract payments and deferred revenue	(43)	(70)	108	58
Decrease in accrued restructuring	(5)	(21)	(24)	(15)
Net cash provided by operating activities ..	52	495	100	487
Cash flows from investing activities:				
Purchases of property and equipment	(2)	(14)	(8)	(6)
Payments for outsourcing contract costs	(8)	(7)	(10)	(24)
Net cash used in investing activities	(10)	(21)	(18)	(30)
Cash flows from financing activities:				
Payments on lease liability	(65)	(160)	(147)	(136)
Transfers from (to) Parent, net	23	(314)	65	(321)
Net cash used in financing activities	(42)	(474)	(82)	(457)
Net increase (decrease) in cash and cash equivalents	—	—	—	—
Cash and cash equivalents at beginning of year	—	—	—	—
Cash and cash equivalents at end of year	\$ —	\$ —	\$ —	\$ —
Supplemental cash flow disclosures:				
Income taxes (refunded) paid, net	(15)	63	14	160
Interest paid in relation to capital lease obligations	10	31	29	27
Supplemental schedule of non-cash investing and financing activities:				
Property and equipment acquired through capital leases	10	170	162	226

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

United States Public Sector Business of DXC Technology Company
Combined Statements of Equity

<u>(in millions)</u>	<u>Parent Company Investment</u>	<u>Total Equity</u>
Balance at October 31, 2013	\$ 729	\$ 729
Net income	138	138
Transfers to Parent, net	(328)	(328)
Balance at October 31, 2014	539	539
Net loss	(29)	(29)
Transfers from Parent, net	45	45
Balance at October 31, 2015	555	555
Net income	80	80
Transfers to Parent, net	(297)	(297)
Balance at October 31, 2016	338	338
Net income	36	36
Transfers from Parent, net	42	42
Balance at March 31, 2017	<u>\$ 416</u>	<u>\$ 416</u>

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

United States Public Sector Business of DXC Technology Company

Notes to Combined Financial Statements

Note 1: Overview and Summary of Significant Accounting Policies

Background

The accompanying combined financial statements and notes present the combined results of operations, financial position, and cash flows of the United States Public Sector business, (the “Company” or “USPS”) of DXC Technology Company (“DXC”).

USPS delivers technology services and business solutions to all levels of government in the United States. USPS helps clients to address their key objectives of: (1) transforming and modernizing through innovation, (2) enhancing security and privacy, (3) improving efficiency and effectiveness, (4) reducing and optimizing costs, and (5) becoming more agile, flexible, and resilient. USPS aims to be a transformation partner that can maximize technology’s potential to create the solutions that matter most to its government clients. USPS supports various accounts at the U.S. federal, state, and local government levels.

On April 1, 2017, DXC was formed through the strategic combination of Computer Sciences Corporation (“CSC”) with the Enterprise Services business (“HPES”) of Hewlett Packard Enterprise Company (“HPE”), and USPS, which was a business unit of HPE, became a business unit of DXC. Previously, on November 1, 2015, HPE was spun-off from Hewlett-Packard Company, now called HP Inc. (“HPI”). Accordingly, the term “Parent” refers to HPI for periods prior to October 31, 2015, to HPE for between November 1, 2015 and March 31, 2017 and to DXC for periods from April 1, 2017 onward.

On October 11, 2017, the Company announced that it had entered into an Agreement and Plan of Merger with Perspecta, Ultra First VMS Inc., Ultra Second VMS LLC, Ultra KMS Inc., Vencore Holding Corp. (“Vencore”), KGS Holding Corp (“KeyPoint”), The SI Organization Holdings LLC and KGS Holding LLC (the “Merger Agreement”). The Merger Agreement provides that the Company will spin off its United States Public Sector business and combine it with Vencore and KeyPoint to form a separate, independent publicly traded company to serve U.S. public sector clients.

To effect the spin-off and merger, DXC will first undertake a series of internal transactions, following which Perspecta, DXC’s new wholly-owned subsidiary, will hold USPS as well as certain other assets and liabilities attributed to it by DXC. The separation will be completed by way of a pro rata distribution of Perspecta shares held by DXC to DXC’s stockholders as of the record date. Completion of the separation will be subject to customary conditions. Refer to “The Transactions—Conditions to the Spin-Off” and “The Transactions—Conditions to Consummation of the Mergers,” of the Information Statement for additional information.

Basis of Presentation

These combined financial statements of USPS were derived from the consolidated combined financial statements and accounting records of Parent as if USPS were operated on a standalone basis during the periods presented and were prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). USPS historically reported its results based on a fiscal year ending on October 31 and upon the formation of DXC, USPS reports its results based on a fiscal year ending March 31. The combined financial statements of USPS for the annual periods ending October 31, 2014, 2015 and 2016 and for the five-month period ended March 31, 2017 do not give effect to purchase price allocation adjustments associated with the strategic combination of CSC and HPES on April 1, 2017.

The combined statements of operations of USPS 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 USPS and Parent consider these allocations to be a reasonable reflection of the utilization of services by, or the benefits provided to, USPS. The allocations may not, however, reflect the expense USPS would have incurred as a standalone company for the periods presented. Actual costs that may have been incurred if USPS 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 USPS include Parent assets and liabilities that are specifically identifiable or otherwise attributable to USPS, 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 USPS for any of the periods presented because those cash balances are not directly attributable to USPS. USPS 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, other than capital lease obligations, has not been attributed to USPS for any of the periods presented because Parent's borrowings are not the legal obligation of USPS.

Parent maintains various benefit and stock-based compensation plans at a corporate level and other benefit plans at a subsidiary level. USPS's employees participate in those programs and a portion of the cost of those plans are allocated and included in the combined statement of operations. However, the combined balance sheets do not include net benefit plan obligations as the pension plans were accounted as multiemployer benefit plans.

In the opinion of management, the accompanying combined financial statements of USPS contain all adjustments, including normal recurring adjustments, necessary to present fairly USPS's financial position as of March 31, 2017, October 31, 2016 and 2015 and its results of operations and cash flows for the five months ended March 31, 2017, fiscal 2016, fiscal 2015, and fiscal 2014.

Principles of Combination

The combined financial statements include USPS's net assets and results of operations as described above. All intercompany transactions and accounts within the combined businesses of USPS have been eliminated.

Intercompany transactions between USPS and Parent other than leases with HPE Financial Services 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.

The combined financial statements include the operations of USPS except for certain USPS consulting activities which were historically conducted pursuant to contracts with HPE rather than the Company or one of its subsidiaries. Because those contracts were not novated until after October 31, 2016, no information regarding those activities has been presented in our results of operations for fiscal 2016, fiscal 2015 and fiscal 2014 and only a portion of the revenues associated with these consulting activities is presented in our results of operations above for the five-month period ended March 31, 2017. Periods subsequent to March 31, 2017 will reflect all these consulting activities in our results of operations.

Business Segment Information

The Company's chief operating decision maker, the chief operating officer, obtains, reviews, and manages the Company's financial performance as a single operating segment.

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.

Amounts subject to significant judgment and estimates include contracts accounted for using the percentage-of-completion method, intangible assets, certain deferred costs, valuation allowances on deferred tax assets, loss accruals for litigation, and inputs used for computing stock-based compensation. Actual results could differ materially from those estimates.

Leases with HPE's Wholly-Owned Leasing Subsidiary

USPS enters into leasing arrangements with HPE'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 in current and non-current capital lease liability and principal payments on these obligations are reflected in Payments on lease liability within financing activities in the combined statements of cash flows.

Parent Company Investment

Parent company investment in the combined balance sheets and combined statements of equity represents Parent's historical investment in USPS, the net effect of transactions with and allocations from Parent and USPS's accumulated earnings.

Revenue Recognition

General

USPS 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. USPS 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, USPS records revenue on a gross basis when USPS is a principal to the transaction and on a net basis when USPS is acting as an agent between the customer and the vendor. USPS considers several factors to determine whether it is acting as a principal or an agent, most notably whether USPS is the primary obligor to the customer, has established its own pricing and has inventory and credit risks.

USPS 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.

Total revenues by customer type were as follows:

(in millions)	Five Months Ended	Fiscal Years Ended		
	March 31, 2017	October 31, 2016	October 31, 2015	October 31, 2014
U.S. federal government	\$ 980	\$2,485	\$2,332	\$2,697
State and local government	93	247	253	258
	<u>\$1,073</u>	<u>\$2,732</u>	<u>\$2,585</u>	<u>\$2,955</u>

Multiple element arrangements

When a sales arrangement contains multiple elements or deliverables, such as hardware and software products, and/or services, USPS 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. USPS 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. USPS establishes TPE of selling price by evaluating largely similar and interchangeable competitor products or services in standalone sales to similarly situated customers. USPS 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, USPS allocates the transaction price to the individual units of accounting at inception of the arrangement based on their relative selling price.

USPS 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, USPS 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 USPS’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

USPS recognizes revenue from time and materials contracts, cost-plus-fee contracts and 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. USPS 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. USPS 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, USPS uses the completed contract method and recognizes revenue and costs upon service completion. Adjustments due to changes in estimates on fixed-price contracts were not material to USPS’s combined financial statements for the periods presented. For time and material contracts, USPS recognizes revenue as services are rendered and recognizes costs as they are incurred.

USPS 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. USPS 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, USPS 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, except for fiscal 2016 when product revenue was approximately 13% of revenue, with a related margin of approximately 16%, primarily as a result of a large product sale on a contract that did not occur in any other period.

Deferred Revenue

USPS records amounts invoiced to customers in excess of revenue recognized as deferred revenue until the revenue recognition criteria are satisfied. Deferred revenue represents cash amounts received in advance for outsourcing startup services work, consulting and integration projects, or product sales.

Stock-Based Compensation

USPS's employees have historically participated in Parent's stock-based compensation plans. 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 based on Parent's historical experience.

Taxes on Earnings

USPS's operations have historically been included in the tax returns filed by the respective Parent entities of which USPS'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 USPS filed its own tax returns. The separate return method applies the accounting guidance for income taxes to the standalone financial statements as if USPS were a separate taxpayer and a standalone enterprise for the periods presented. Current income tax liabilities are assumed to be settled with Parent on the last day of the reporting period and are relieved through the Parent company investment account and the transfers from (to) Parent, net in the combined statements of cash flows.

USPS 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. USPS records a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be realized.

USPS records accruals for uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more likely than not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. USPS 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

Receivables consist of amounts billed and currently due from customers, as well as amounts currently due but unbilled. Unbilled receivables include: (1) amounts to be billed in following month in the ordinary course of business; (2) contracts measured under the percentage-of-completion method of accounting; and (3) amounts retained by the customer until the completion of a specified contract, completion of government audit activities or until negotiation of contract modification or claims.

Allowances for uncollectible billed and unbilled receivables are estimated based on a combination of write-off history, aging analysis and any specific and known collectability issues.

Concentrations of Risk

Financial instruments that potentially subject USPS to significant concentrations of credit risk consist principally of receivables from trade customers and financing receivables.

USPS participates in cash management, funding arrangements and risk management programs managed by Parent. USPS performs ongoing credit evaluations of the financial condition of its customers. USPS receivables are primarily with the U.S. Government, and thus USPS does not have material credit risk exposure for amounts billed.

Deferred Contract Costs

Included in the combined balance sheets are certain costs related to the performance of the Company's U.S. Government contracts which are required to be recorded under U.S. GAAP but are not currently allocable to contracts. These costs are allocated to contracts when they are paid or otherwise agreed. The Company regularly assesses the probability of recovery of these costs. This assessment requires the Company to make assumptions about the extent of cost recovery under its contracts and the amount of future contract activity.

Property and Equipment

Property and equipment, which includes capital lease assets, are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or the remaining lease term, whichever is shorter. The estimated useful lives of the Company's property and equipment are as follows:

Property and Equipment:	
Buildings	Up to 40 years
Computers and related equipment	4 to 5 years
Furniture and other equipment	2 to 15 years
Leasehold improvements	Shorter of lease term or useful life

Intangible Assets

The Company's estimated useful lives for finite-lived intangible assets are shown in the table below:

Software	2 to 10 years
Program assets	Expected program asset life
Outsourcing contract costs	Contract life, excluding option years

Software is amortized predominantly using the straight-line method. Costs of outsourcing contracts, including costs incurred for bid and proposal activities, are generally expensed as incurred. However, certain costs incurred upon initiation of an outsourcing contract are deferred and expensed on a straight-line basis over the contract life. These costs represent incremental external costs or certain specific internal costs that are directly related to the contract acquisition or transition activities and can be separated into two principal categories: contract premiums and transition/set-up costs. Contract premiums are amounts paid to customers in excess of the fair value of assets acquired and are amortized as a reduction to revenues. Transition/set-up costs are primarily associated with assuming control over customer IT operations and transforming them to be consistent with contract specifications. Program intangible assets are amortized in proportion to the estimated undiscounted cash flows projected over the estimated life of the asset or on a straight-line basis if such cash flows cannot be reliably estimated.

Long-Lived Asset Impairment

USPS 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. USPS 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. USPS 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.

Loss Contingencies

USPS is involved in various lawsuits, claims, investigations and proceedings that arise in the ordinary course of business. USPS 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 April 2015, the Financial Accounting Standards Board (“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. USPS adopted the guidance during the five months ended March 31, 2017. The adoption of the amendments did not have a material impact on the combined financial statements.

In November 2015, the 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. USPS 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 the 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 statement of operations line item, either on the face of the statements of operations or within the footnotes. USPS 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 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, allow companies to recognize forfeitures of awards as they occur, and require 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. USPS adopted the guidance during the five months ended March 31, 2017. The adoption of the amendments did not have a material impact on the combined financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In October 2016, the FASB amended the existing accounting standards for income taxes. The amendments require the recognition of the income tax consequences for intra-entity transfers of assets other than inventory

when the transfer occurs. Under current GAAP, current and deferred income taxes for intra-entity asset transfers are not recognized until the asset has been sold to an outside party. The amendments will be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. USPS is required to adopt the guidance in the first quarter of fiscal 2019. Early adoption is permitted. The adoption of the amendments is not expected to have a material impact on the combined financial statements.

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. USPS 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. USPS 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 straight-line basis over the lease term. 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. USPS is required to adopt the guidance in the first quarter of fiscal 2020 using a modified retrospective approach. Early adoption is permitted. USPS is currently evaluating the timing and the impact of these amendments on its combined financial statements.

In May 2014, the FASB amended the existing accounting standards for revenue recognition. The amendments, along with amendments issued in 2015 and 2016, will replace most existing revenue recognition guidance under U.S. GAAP and eliminate industry specific guidance. The core principle of the amendments is that revenue is recognized when the transfer of goods or services to customers occurs in an amount that reflects the consideration to which USPS expects to be entitled in exchange for those goods or services. The guidance also addresses the timing of recognition of certain costs incurred to obtain or fulfill a customer contract. Further, it requires the disclosure of sufficient information to enable readers of USPS’s financial statements to understand the nature, amount, timing and uncertainty of revenues, and cash flows arising from customer contracts, and information regarding significant judgments and changes in judgments made.

The amendments provide two methods of adoption: full retrospective and modified retrospective. Under the full retrospective method, the standard would be applied to all periods presented with previously disclosed periods restated under the new guidance. Under the modified retrospective method, prior periods would not be restated but rather a cumulative catch-up adjustment would be recorded on the adoption date. USPS will adopt this standard in the first quarter of Fiscal 2019 and expects to adopt using the modified retrospective method.

USPS has performed an initial assessment of the impact of the standard and continues to assess the impact that the guidance will have on accounting policies, processes, systems and internal controls. USPS is currently in the process of implementing the new standard. Based on the implementation efforts to-date, USPS expects the primary accounting impacts to include the following:

- USPS's IT and business process outsourcing arrangements comprise a series of distinct services, for which revenue is expected to be recognized as the services are provided in a manner that is generally consistent with current practices.
- USPS has certain arrangements involving the sale of proprietary software and related services for which vendor-specific objective evidence of fair value may not exist, resulting in the deferral of revenues. Under the new standard, estimates of standalone selling price will be necessary for all software performance obligations, which may result in the acceleration of revenues.
- USPS currently does not capitalize commission costs, which will be required in certain cases under the new standard and amortized over the period that services or goods are transferred to the customer. However, USPS is currently assessing the impact of the standard on commission plans of the Company.

As the quantitative impact of adopting the standard may be significantly impacted by arrangements contracted before the adoption date, USPS has not yet reached a conclusion about whether the accounting impact of the new standard will be material to its combined financial statements. However, USPS expects continuing significant implementation efforts to accumulate and report additional disclosures required by the standard.

Note 2: Restructuring

USPS records charges associated with Parent-approved restructuring plans to simplify business processes and accelerate innovation. Restructuring charges can include infrastructure charges to vacate facilities and consolidate operations and contract cancellation costs. USPS records restructuring charges based on estimated employee terminations and site closure and consolidation plans. USPS 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.

Summary of Restructuring Plans

Restructuring charges of \$0 million, \$20 million, \$22 million and \$12 million have been recorded by USPS during the five months ended March 31, 2017 and fiscal 2016, fiscal 2015 and fiscal 2014, respectively, based on restructuring activities impacting USPS's employees and infrastructure. Restructuring activities related to USPS's employees and infrastructure, summarized by plan year, were as follows:

<u>(in millions)</u>	<u>Accrued restructuring as of October 31, 2016</u>	<u>Costs expensed, net of reversals</u>	<u>Cash paid</u>	<u>Accrued restructuring as of March 31, 2017</u>
Fiscal 2015 Plan				
Workforce reductions	\$ 5	\$ —	\$ (4)	\$ 1
Facilities costs	—	—	—	—
Total	<u>\$ 5</u>	<u>\$ —</u>	<u>\$ (4)</u>	<u>\$ 1</u>
Fiscal 2012 Plan				
Workforce reductions	\$ 1	\$ —	\$ (1)	\$ —
Facilities costs	—	—	—	—
Total	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ —</u>

<u>(in millions)</u>	<u>Accrued restructuring as of October 31, 2015</u>	<u>Costs expensed, net of reversals</u>	<u>Cash paid</u>	<u>Accrued restructuring as of October 31, 2016</u>
Fiscal 2015 Plan				
Workforce reductions	\$ —	\$ 15	\$ (10)	\$ 5
Facilities costs	—	5	(5)	—
Total	<u>\$ —</u>	<u>\$ 20</u>	<u>\$ (15)</u>	<u>\$ 5</u>
Fiscal 2012 Plan				
Workforce reductions	\$ 7	\$ —	\$ (6)	\$ 1
Facilities costs	—	—	—	—
Total	<u>\$ 7</u>	<u>\$ —</u>	<u>\$ (6)</u>	<u>\$ 1</u>
<u>(in millions)</u>	<u>Accrued restructuring as of October 31, 2014</u>	<u>Costs expensed, net of reversals</u>	<u>Cash paid</u>	<u>Accrued restructuring as of October 31, 2015</u>
Fiscal 2012 Plan				
Workforce reductions	\$ 5	\$ 22	\$ (20)	\$ 7
Facilities costs	—	—	—	—
Total	<u>\$ 5</u>	<u>\$ 22</u>	<u>\$ (20)</u>	<u>\$ 7</u>
Other Plans				
Workforce reductions	\$ —	\$ —	\$ —	\$ —
Facilities costs	4	—	(4)	—
Total	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ (4)</u>	<u>\$ —</u>
<u>(in millions)</u>	<u>Accrued restructuring as of October 31, 2013</u>	<u>Costs expensed, net of reversals</u>	<u>Cash paid</u>	<u>Accrued restructuring as of October 31, 2014</u>
Fiscal 2012 Plan				
Workforce reductions	\$ 1	\$ 12	\$ (8)	\$ 5
Facilities costs	—	—	—	—
Total	<u>\$ 1</u>	<u>\$ 12</u>	<u>\$ (8)</u>	<u>\$ 5</u>
Other Plans				
Workforce reductions	\$ —	\$ —	\$ —	\$ —
Facilities costs	11	—	(7)	4
Total	<u>\$ 11</u>	<u>\$ —</u>	<u>\$ (7)</u>	<u>\$ 4</u>

Restructuring liability is included in accrued expenses and other current liabilities in the combined balance sheets at March 31, 2017, October 31, 2016 and October 31, 2015.

Fiscal 2015 Restructuring Plan

On September 14, 2015, Parent's Board of Directors approved a restructuring plan (the "2015 Plan") in connection with the spin-off of HPE from HPI, which will be implemented through fiscal 2018. USPS recognized \$20 million in total aggregate charges in connection with the 2015 Plan. USPS estimates that it will not incur additional aggregate pre-tax charges in connection with the 2015 Plan.

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.

USPS recognized \$34 million in total aggregate charges in connection with the 2012 Plan. Activities under the 2012 Plan were complete as of March 31, 2017.

Other Plans

Restructuring plans initiated by Parent in fiscal 2008 and 2010 were completed as of October 31, 2015.

Note 3: Retirement and Post-Retirement Benefit Plans

Defined Benefit Plans

Certain eligible employees, retirees and other former employees of USPS participate in certain U.S. defined benefit pension plans offered by Parent. These plans whose participants included both USPS 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 USPS based on USPS's labor costs and allocations of corporate and other shared functional personnel. USPS total net pension benefit cost was \$27 million and \$5 million in fiscal 2015 and fiscal 2014, respectively, and was included in costs of services and selling, general and administrative expenses in the combined statements of operations. USPS employees did not participate in the defined benefit plans subsequent to October 31, 2015. Therefore, USPS did not recognize benefit plan expense in the five months ended March 31, 2017 and fiscal 2016.

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 \$27 million was included in selling, general and administrative expenses 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.

Defined Contribution Plans

Parent offers various defined contribution plans for U.S. employees. USPS defined contribution expense was \$1 million, \$3 million, \$3 million and \$2 million in the five months ended March 31, 2017, fiscal 2016, fiscal 2015 and fiscal 2014, respectively.

Note 4: Stock-Based Compensation

Certain of USPS's employees participated in stock-based compensation plans sponsored by Parent. Parent's stock-based compensation plans included 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 USPS based on the awards and terms previously granted under the incentive compensation plan to USPS'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 USPS 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"). 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.

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 closing price of Parent's common stock on the grant date of the award. USPS 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

Stock-based compensation expense and the resulting tax benefits recognized by USPS were as follows:

(in millions)	Five Months Ended	Fiscal Years Ended		
	March 31, 2017	October 31, 2016	October 31, 2015	October 31, 2014
Stock-based compensation expense	\$7	\$20	\$23	\$17
Income tax benefit	<u>3</u>	<u>8</u>	<u>9</u>	<u>7</u>
Stock-based compensation expense, net of tax	<u>\$4</u>	<u>\$12</u>	<u>\$14</u>	<u>\$10</u>

In May 2016, in connection with the announcement of the spin-off of HPES, 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.

Cash received from option exercises and purchases under Parent's ESPP by USPS employees was \$4 million, \$4 million, and \$2 million in fiscal 2016, fiscal 2015 and fiscal 2014, respectively. There was no cash received from option exercises and purchases under Parent's ESPP by USPS employees for the five months ended March 31, 2017. The net effect of this transaction is reflected within Parent company investment in the combined statements of cash flows.

Restricted Stock Awards

A summary of restricted stock awards activity for restricted stock held by USPS employees under former Parent's plans is as follows:

(in thousands)	Five Months Ended		Fiscal Years Ended					
	March 31, 2017		October 31, 2016		October 31, 2015		October 31, 2014	
	Shares	Weighted-Average Grant Date Fair Value Per Share	Shares	Weighted-Average Grant Date Fair Value Per Share	Shares	Weighted-Average Grant Date Fair Value Per Share	Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding at Beginning of Year (1)	2,364	\$ 15	1,145	\$15	1,071	\$ 22	728	\$ 19
Converted from former Parent's plan (1)	—	—	914	15	—	—	—	—
Granted	766	18	555	15	529	37	730	28
Vested	(1,455)	17	(181)	15	(435)	39	(301)	26
Forfeited	(1,675)	15	(69)	15	(20)	32	(86)	23
Outstanding at end of year	<u>—</u>	<u>—</u>	<u>2,364</u>	<u>15</u>	<u>1,145</u>	<u>23</u>	<u>1,071</u>	<u>22</u>

- (1) In connection with HPE's November 1, 2015 separation from HPI, USPS employees with outstanding former Parent restricted stock awards received HPE replacement restricted stock awards upon the separation.

The total grant date fair value of restricted stock awards vested for USPS employees for the five months ended March 31, 2017, fiscal 2016, fiscal 2015 and fiscal 2014 was \$15 million, \$2 million, \$12 million and \$5 million, respectively, net of taxes.

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:

	Five Months Ended	Fiscal Years Ended		
	March 31, 2017	October 31, 2016	October 31, 2015	October 31, 2014
Weighted-average fair value (1)	\$ 4	\$ 4	\$ 8	\$ 7
Expected volatility (2)	31.1%	31.1%	26.8%	33.1%
Risk-free interest rate (3)	1.7%	1.7%	1.7%	1.8%
Expected dividend yield (4)	1.5%	1.5%	1.8%	2.1%
Expected term in years (5)	5.4	5.4	5.9	5.7

- (1) The weighted-average fair value was based on stock options granted during the period.
- (2) For options granted in fiscal 2016, expected volatility was estimated using average historical volatility of selected peer companies. For options granted in fiscal 2015, expected volatility was estimated using the implied volatility derived from options traded on Hewlett-Packard Company's common stock. For options granted in fiscal 2014, expected volatility for options subject to service-based vesting was estimated using the implied volatility derived from options traded on Hewlett-Packard Company's common stock, whereas for performance-contingent options, 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 option.
- (5) For options granted in fiscal 2016 subject to service-based vesting, the expected term was estimated using the simplified method detailed in SEC Staff Accounting Bulletin No. 110, since it was HPE's first fiscal year as a separate stand-alone company. For options granted in fiscal 2015 and 2014 subject to service-based vesting, the expected term was estimated using historical exercise and post-vesting termination patterns. For performance-contingent stock options, the expected term represents an output from the lattice model.

A summary of stock option activity for stock options held by USPS employees under former Parent's plans is as follows:

	Five Months Ended				Fiscal Years Ended											
	March 31, 2017				October 31, 2016				October 31, 2015				October 31, 2014			
	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	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)	(in thousands)		(in years)	(in millions)
Outstanding at Beginning of Year (1)	791	\$ 15			359	\$ 15			497	\$ 25			592	\$ 26		
Converted from former Parent's plan (1)	—	—			287	15			—	—			—	—		
Granted	—	—			328	17			67	37			87	27		
Expired	(113)	15			(181)	16			(121)	35			(36)	21		
Forfeited/cancelled/expired	(678)	16			(2)	25			(84)	12			(146)	28		
Outstanding at end of Year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>791</u>	<u>16</u>	<u>5</u>	<u>\$ 4</u>	<u>359</u>	<u>28</u>	<u>5</u>	<u>\$1</u>	<u>497</u>	<u>26</u>	<u>5</u>	<u>\$6</u>
Vested and Expected to vest at end of year ...	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>744</u>	<u>16</u>	<u>5</u>	<u>4</u>	<u>351</u>	<u>27</u>	<u>5</u>	<u>1</u>	<u>479</u>	<u>26</u>	<u>5</u>	<u>5</u>
Exercisable at end of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>416</u>	<u>15</u>	<u>4</u>	<u>2</u>	<u>285</u>	<u>26</u>	<u>4</u>	<u>1</u>	<u>298</u>	<u>29</u>	<u>4</u>	<u>3</u>

(1) In connection with HPE's November 1, 2015 separation from Hewlett-Packard Company, USPS employees with outstanding former Parent stock options received HPE replacement stock options upon the separation.

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value that USPS employee option holders would have realized had all USPS employee option holders exercised their options on the last trading day of fiscal 2016, fiscal 2015 and fiscal 2014. 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 USPS employees for the five months ended March 31, 2017 and in fiscal 2016, fiscal 2015 and fiscal 2014 was \$1 million, \$2 million, \$2 million and less than \$1 million, respectively. The total grant date fair value of options granted to USPS employees which vested for the five months ended March 31, 2017 was less than \$1 million, net of taxes.

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 5: Taxes on Earnings

USPS's provision (benefit) for taxes and deferred tax balances have been calculated on a separate return basis as if USPS filed its own tax returns, although its operations have been included in Parent's U.S. federal and state returns. USPS had no

income (loss) from entities domiciled outside of the U.S. The separate return method applies the accounting guidance for income taxes to the standalone financial statements as if USPS were a separate taxpayer and a standalone enterprise for the periods presented.

Provision (Benefit) for Taxes

The provision (benefit) for taxes were as follows:

(in millions)	Five Months Ended	Fiscal Years Ended		
	March 31, 2017	October 31, 2016	October 31, 2015	October 31, 2014
U.S. federal taxes:				
Current	\$ (15)	\$ 54	\$ 12	\$137
Deferred	35	(12)	(31)	(66)
State taxes:				
Current	—	9	2	23
Deferred	3	(2)	(5)	(11)
	<u>\$ 23</u>	<u>\$ 49</u>	<u>\$(22)</u>	<u>\$ 83</u>

The differences between the U.S. federal statutory income tax rate and USPS's effective tax rate were as follows:

	Five Months Ended	Fiscal Years Ended		
	March 31, 2017	October 31, 2016	October 31, 2015	October 31, 2014
U.S. federal statutory income tax rate ..	35%	35%	(35)%	35%
State income taxes, net of federal tax ..	4%	4%	(4)%	4%
R&D credit	(1)%	(1)%	(6)%	(1)%
Other items, net	1%	— %	2%	— %
	<u>39%</u>	<u>38%</u>	<u>(43)%</u>	<u>38%</u>

Unrecognized Tax Benefits

A reconciliation of unrecognized tax benefits is as follows:

(in millions)	As of		
	March 31, 2017	October 31, 2016	October 31, 2015
Balance at beginning of year	\$7	\$ 7	\$6
Increases:			
For current year's tax positions	<u>1</u>	<u>—</u>	<u>1</u>
Balance at end of year	<u>\$8</u>	<u>\$ 7</u>	<u>\$7</u>

Up to \$8 million, \$7 million, and \$7 million of USPS's unrecognized tax benefits as of March 31, 2017, October 31, 2016, and October 31, 2015, respectively, would affect USPS's effective tax rate if realized.

USPS recognizes interest income from favorable settlements and interest expense and penalties accrued on unrecognized tax benefits in its provision/(benefit) for income taxes in the combined statements of operations. USPS had an immaterial amount of accrued interest or penalties as of March 31, 2017, October 31, 2016, and October 31, 2015.

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, and therefore, USPS does not expect a significant change to their unrecognized tax benefits within the next 12 months. USPS is subject to income tax in the U.S at the federal and state level and is subject to routine corporate income tax audits in these jurisdictions. The IRS is conducting an audit of Parent’s 2009 to 2015 federal income tax returns and thus these years remain open, in addition to fiscal 2016. With respect to major state tax jurisdictions, Parent is no longer subject to tax authority examination for years prior to 2005.

USPS believes it has provided adequate reserves for all tax deficiencies or reductions in tax benefits that could result from federal and state tax audits. USPS regularly assesses the likely outcomes of these audits in order to determine the appropriateness of unrecognized tax benefits. USPS adjusts its unrecognized tax benefits 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 Parent 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.

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:

(in millions)	As of					
	March 31, 2017		October 31, 2016		October 31, 2015	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Fixed assets	\$ —	\$ (3)	\$ —	\$ (3)	\$ —	\$ (3)
Employee and retiree benefits	5	—	25	—	28	—
Restructuring	—	—	2	—	3	—
Loss and credit carryovers	2	—	—	—	—	—
Purchased intangible assets	—	(1)	—	(1)	—	(19)
Deferred service revenue	38	—	54	—	82	—
Deferred service cost	—	(9)	—	(7)	—	(38)
Accrued liabilities	8	—	8	—	11	—
Gross deferred tax assets and liabilities	53	(13)	89	(11)	124	(60)
Valuation allowance	—	—	—	—	—	—
Net deferred tax assets and liabilities	<u>\$ 53</u>	<u>\$ (13)</u>	<u>\$ 89</u>	<u>\$ (11)</u>	<u>\$ 124</u>	<u>\$ (60)</u>

USPS adopted ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, issued by the FASB in November 2015, and elected to apply it on a retrospective basis. As a result, all of USPS’s deferred tax assets and liabilities are classified as noncurrent as of March 31, 2017, October 31, 2016 and retrospectively as of October 31, 2015. See Note 1, “Overview and Summary of Significant Accounting Policies,” for more details. The Company has state net operating loss carryforwards of \$2 million for the five months ended March 31, 2017 with an expiration date of 2037. The Company has no state net operating loss carryforwards for fiscal 2016 and fiscal 2015. The Company has no U.S. Federal net operating loss carryforwards available at March 31, 2017, October 31, 2016 and October 31, 2015.

Income tax related assets and liabilities are included in the accompanying combined balance sheets as follows:

(in millions)	As of		
	March 31, 2017	October 31, 2016	October 31, 2015
Non-current deferred tax assets	\$40	\$78	\$64
Non-current liability for unrecognized tax benefits . .	(8)	(7)	(7)

The non-current liability for unrecognized tax benefits is included in Other long-term liabilities in the combined balance sheets.

Note 6: Balance Sheet Details

Balance sheet details were as follows:

Receivables

(in millions)	As of		
	March 31, 2017	October 31, 2016	October 31, 2015
Billed receivables	\$195	\$222	\$285
Unbilled receivables	196	201	318
Gross receivables	391	423	603
Allowance for doubtful accounts	—	—	(1)
Receivables, net of allowance for doubtful accounts	<u>\$391</u>	<u>\$423</u>	<u>\$602</u>

Property and Equipment

(in millions)	As of		
	March 31, 2017	October 31, 2016	October 31, 2015
Land, buildings and leasehold improvements	\$ 339	\$ 340	\$ 331
Computers and related equipment	449	619	567
Furniture and other equipment	54	71	81
	842	1,030	979
Accumulated depreciation	(373)	(507)	(471)
	<u>\$ 469</u>	<u>\$ 523</u>	<u>\$ 508</u>

The gross property 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 computers and related equipment. Capital lease assets included in property and equipment in the combined balance sheets were \$442 million, \$613 million and \$562 million as of March 31, 2017, October 31, 2016 and October 31, 2015, respectively. Accumulated depreciation on the property under capital leases was \$149 million, \$274 million and \$230 million as of March 31, 2017, October 31, 2016 and October 31, 2015, respectively.

Depreciation expense for property and equipment, excluding capital lease assets, was \$6 million, \$14 million, \$17 million and \$53 million for the five months ended March 31, 2017, fiscal 2016, fiscal 2015 and fiscal 2014, respectively.

Depreciation expense for capital lease assets was \$62 million, \$153 million, \$136 million and \$114 million for the five months ended March 31, 2017, fiscal 2016, fiscal 2015 and fiscal 2014, respectively.

Other Assets

(in millions)	As of		
	March 31, 2017	October 31, 2016	October 31, 2015
Deferred contracts costs—long-term and other	\$ 1	\$ 8	\$ —
Prepaid expenses—long term	25	29	19
Total other assets	<u>\$26</u>	<u>\$37</u>	<u>\$ 19</u>

Accrued Expenses and Other Current Liabilities

(in millions)	As of		
	March 31, 2017	October 31, 2016	October 31, 2015
Accrued liabilities for customer program	\$ 94	\$142	\$115
Litigation liabilities	14	14	15
Other	24	55	86
	<u>\$132</u>	<u>\$211</u>	<u>\$216</u>

Note 7: Intangible Assets

Intangible assets were as follows:

(in millions)	As of March 31, 2017		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Software	\$27	\$24	\$ 3
Program assets	11	10	1
Outsourcing contract costs	49	26	23
Total intangible assets	<u>\$87</u>	<u>\$60</u>	<u>\$27</u>

(in millions)	As of October 31, 2016		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Software	\$ 39	\$ 37	\$ 2
Program assets	218	215	3
Outsourcing contract costs	40	21	19
Total intangible assets	<u>\$297</u>	<u>\$273</u>	<u>\$24</u>

(in millions)	As of October 31, 2015		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Software	\$ 39	\$ 38	\$ 1
Program assets	217	168	49
Outsourcing contract costs	34	11	23
Total intangible assets	<u>\$290</u>	<u>\$217</u>	<u>\$73</u>

Amortization expense for the five months ended March 31, 2017 and fiscal 2016, fiscal 2015 and fiscal 2014 was \$5 million, \$58 million, \$61 million, and \$60 million, respectively.

Note 8: Capital Lease Obligations

Capital lease obligations primarily consist of contractual arrangements with Parent's wholly-owned subsidiary, HPE Financial Services. As of March 31, 2017, future minimum lease payments required to be made under capital leases were as follows:

<u>Fiscal Year</u>	<u>(in millions)</u>
Remainder of 2017	\$ 93
2018	132
2019	83
2020	13
2021	—
Thereafter	—
Total minimum lease payments	321
Less: Amount representing interest and executory costs ...	27
Present value of net minimum lease payments	294
Less: Current maturities of capital lease obligations	139
Long-term capitalized lease liabilities	<u>\$155</u>

Note 9: Related Party Transactions and Parent Company Investment

Allocation of Corporate Expenses

The combined statements of operations 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 \$58 million, \$152 million, \$169 million and \$172 million in the five months ended March 31, 2017, fiscal 2016, fiscal 2015 and fiscal 2014, respectively, and they are recorded within costs of services and selling, general and administrative in the combined statements of operations.

Management of USPS and Parent consider these allocations to be a reasonable reflection of the utilization of services by, or the benefits provided to, USPS. These allocations may not, however, reflect the expense USPS would have incurred as a standalone company for the periods presented. Actual costs that may have been incurred if USPS 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 USPS, the net effect of transactions with and allocations from Parent and USPS's accumulated earnings.

Transfers from (to) Parent, net

Transfers from (to) Parent, net are included within Parent company investment. The components of the Transfers from (to) Parent, net on the combined statements of equity for all periods presented were as follows:

(in millions)	Five Months Ended	Fiscal Years Ended		
	March 31, 2017	October 31, 2016	October 31, 2015	October 31, 2014
Cash pooling and general financing activities . .	\$ (1)	\$(512)	\$(138)	\$(660)
Corporate allocations	58	152	169	172
Income taxes	<u>(15)</u>	<u>63</u>	<u>14</u>	<u>160</u>
Transfers from (to) Parent, net per combined statements of equity	<u>\$ 42</u>	<u>\$(297)</u>	<u>\$ 45</u>	<u>\$(328)</u>

Note 10: Litigation and Contingencies

USPS is involved in various lawsuits, claims, investigations and proceedings including those consisting of IP, commercial, 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 USPS, 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 USPS 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. USPS 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. USPS 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, USPS 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. USPS believes it has recorded adequate provisions for any such matters and, as of March 31, 2017, October 31, 2016 and 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

State of Michigan v. HP Enterprise Services, LLC: In 2005, the State of Michigan ("MI") entered into a contract with Electronic Data Systems Corp. (later renamed HP Enterprise Services, LLC, now known as Enterprise Services LLC ("ES")) for the purpose of designing, developing, and implementing an enterprise application for the MI Department of State (MI's Department of Motor Vehicles). On August 28, 2015, MI sent a letter notifying ES that the contract had been terminated for cause. The key disagreement between the parties related to the apportionment of responsibility for missed project milestones (and MI's effort to put all of the blame for delays on ES) and the value of the deliverables that MI had accepted as of the date of the termination. On September 18, 2015, MI filed a complaint against ES in Michigan state court seeking \$11 million in liquidated damages, the State's costs of re-procuring and completing the project, and injunctive relief. The parties executed a Settlement Agreement on March 28, 2017, pursuant to which the termination for cause was converted to a termination for convenience and ES agreed to pay MI \$9.5 million and to provide MI with a \$3.5 million credit on future work. A stipulation of dismissal was entered by the court dismissing the MI state action on April 25, 2017.

Dispute with the State of New Jersey regarding MATRX Contract: On September 11, 2008, the State of New Jersey ("NJ") entered into Term Contract T-2512, Motor Vehicle Automated Transaction System

(“MATRX”) Implementation for the Motor Vehicle Commission (the “MATRX Contract”) with Sabre Software, Inc. (later renamed Hewlett-Packard State & Local Enterprise Services, Inc., now known as Enterprise Services State and Local Inc. (“ES S&L”)) to design, develop and implement a motor vehicle application to replace NJ’s then existing system. On July 24, 2014, ES S&L received a Suspension Notice from NJ stopping work on the MATRX Contract. NJ asserted that the rationale for the suspension was to permit it to dedicate its IT resources on updating its Legacy system to be compliant with federal regulations. NJ indicated that it believed ES to be responsible for the costs to update its Legacy system because these updates would not have been required had ES performed on time. On January 30, 2015, the parties entered into a Settlement Agreement pursuant to which the MATRX Contract was terminated for convenience effective January 28, 2015, and ES S&L agreed to pay NJ \$14 million and provide to the state certain IP developed under the contract.

South Carolina Development of a Child Support Enforcement System and Family Court Case

Management System: In 2007, the State of South Carolina (“SC”) entered into a contract with Sabre Software, Inc. (later renamed Hewlett-Packard State & Local Enterprise Services, Inc., now known as Enterprise Services State and Local Inc. (“ES S&L”)) to design and implement a statewide, automated child support enforcement system (“CSES”) meeting federal certification requirements. On July 10, 2013, SC terminated ES S&L for cause and alleged damages as high as \$700 million. ES S&L subsequently filed affirmative claims against SC alleging that the state was the cause of the failure. The dispute went through a year-long administrative hearing before the SC Chief Procurement Office. The matter was settled in January 2015. To settle the litigation, Hewlett-Packard Company (“HP”), the prior owner of ES S&L, paid SC \$44 million and SC agreed to pay HP \$5 million for unpaid invoices for goods and services delivered and retainage withheld under the Contract. As part of this settlement, the termination for cause was converted to a termination for convenience. As part of the settlement, ES S&L retained an obligation to make a contingent payment in the event that SC is required to pay (whether by affirmative payment or an offset reducing the Title IV-D grant) the United States Office of Child Support Enforcement (“OCSE”) any sum for a failed project adjustment under 45 C.F.R. Part 95, Subpart F, with the State required to first pay \$5 million of any such sum. If the OCSE demands more than \$5 million from the State for a failed project adjustment, then ES S&L will pay up to the next \$3 million in recoupment. In no event shall ES S&L or any HP entity be responsible for any further recoupment payment beyond this payment of up to \$3 million.

Washington, D.C. Navy Yard Litigation: In December 2013, a wrongful death action was filed in U.S. District Court for the Middle District of Florida against HP Enterprise Services, LLC, now known as Enterprise Services LLC (“ES”) and others in connection with the September 2013 Washington, D.C. Navy Yard shooting that resulted in the deaths of 12 individuals. The perpetrator was an employee of The Experts, ES’s now terminated subcontractor on ES’s IT services contract with the U.S. Navy (a contract served by USPS). A total of 15 lawsuits arising out of the shooting have been filed. All have been consolidated in the U.S. District Court for the District of Columbia. ES filed motions to dismiss, which the Court has granted in part and denied in part. Discovery is proceeding.

Forsyth, et al. v. HP Inc. and Hewlett Packard Enterprise: This purported class and collective action was filed on August 18, 2016 in the U.S. District Court for the Northern District of California, against HP and HPE alleging violations of 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. Former business units of HPE, including Perspecta, will be proportionately liable for any recovery by plaintiffs in this matter. Plaintiffs filed an amended complaint on December 19, 2016. Plaintiffs seek to certify a nationwide class action under the ADEA comprised of all U.S. residents employed by defendants who had their employment terminated pursuant to a work force reduction (“WFR”) plan on or after December 9, 2014 (deferral states) and April 8, 2015 (non-deferral states), 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 August 18, 2012. On January 30, 2017, defendants filed a partial motion to dismiss and a motion to compel arbitration of claims by opt-in plaintiffs who signed releases as part of their WFR packages. On September 20, 2017, the Court denied the

partial motion to dismiss without prejudice, but granted defendants' motions to compel arbitration. Accordingly, the Court stayed the entire action pending arbitration, and administratively closed the case.

In addition to the matters noted above, the Company is currently subject in the normal course of business to various claims and contingencies arising from, among other things, disputes with customers, vendors, employees, contract counterparties and other parties, as well as securities matters, environmental matters, matters concerning the licensing and use of intellectual property, and inquiries and investigations by regulatory authorities and government agencies. Some of these disputes involve or may involve litigation. The combined financial statements reflect the treatment of claims and contingencies based on management's view of the expected outcome. USPS consults with outside legal counsel on issues related to litigation and regulatory compliance and seeks input from other experts and advisors with respect to matters in the ordinary course of business. Although the outcome of these and other matters cannot be predicted with certainty, and the impact of the final resolution of these and other matters on the Company's results of operations in a particular subsequent reporting period could be material and adverse, management does not believe based on information currently available to the Company, that the resolution of any of the matters currently pending against the Company will have a material adverse effect on the financial position of the Company or the ability of the Company to meet its financial obligations as they become due. Unless otherwise noted, the Company is unable to determine at this time a reasonable estimate of a possible loss or range of losses associated with the foregoing disclosed contingent matters.

Note 11: Guarantees and Indemnifications

Guarantees

In the ordinary course of business, USPS may issue performance guarantees to certain of its clients, customers and other parties pursuant to which USPS 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, USPS would be obligated to perform over the term of the guarantee in the event a specified triggering event occurs as defined by the guarantee. USPS believes the likelihood of having to perform under a material guarantee is remote.

USPS 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 USPS's non-performance under the contract or failure to comply with the terms of the financing arrangement, USPS could, under certain circumstances, be required to acquire certain assets related to the service contract. USPS believes the likelihood of having to acquire a material amount of assets under these arrangements is remote.

Indemnifications

In the ordinary course of business, USPS enters into contractual arrangements under which USPS may agree to indemnify a third party to such arrangement from any losses incurred relating to the services they perform on behalf of USPS 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. USPS 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 USPS'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 12: Commitments

Lease Commitments

USPS leases certain real and personal property under non-cancelable operating leases. Certain leases require USPS to pay property taxes, insurance and routine maintenance and include renewal options and escalation clauses. Rent expense was approximately \$15 million, \$29 million, \$37 million and \$42 million in the five months ended March 31, 2017, fiscal 2016, fiscal 2015 and fiscal 2014, respectively.

As of March 31, 2017, future minimum operating lease commitments were as follows:

<u>Fiscal year</u> <u>(in millions)</u>	<u>Real Estate &</u> <u>Equipment</u>
Remainder of 2017	\$ 27
2018	42
2019	31
2020	14
2021	5
Thereafter	<u>15</u>
Minimum fixed rentals	134
Less: Sublease rental income	<u>(26)</u>
Total	<u>\$108</u>

Note 13: Subsequent Events

The Company evaluated subsequent events for recognition and disclosure through February 8, 2018, the date the combined financial statements were available to be issued.

On December 22, 2017, the President of the United States signed into law comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Act”). The Act makes significant changes to the Internal Revenue Code of 1986 with varying effective dates. The Act reduces the maximum corporate income tax rate to 21% effective as of January 1, 2018, requires companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries, broadens the tax base, generally eliminates U.S. federal income taxes on dividends from foreign subsidiaries, creates a new limitation on the deductibility of interest expense, limits the deductibility of certain executive compensation, and allows for immediate capital expensing of certain qualified property. It also requires companies to pay minimum taxes on foreign earnings and subjects certain payments from U.S. corporations to foreign related parties to additional taxes. The Act also includes provisions that may partially offset the benefit of such rate reduction, including the repeal of the deduction for domestic production activities. As a result of the Act, the Company expects there will be one-time adjustments for the re-measurement of deferred tax assets (liabilities) in the period of enactment.

Also, the SEC staff issued SAB 118, which provides guidance on accounting for the tax effects of the Act. SAB 118 provides a measurement period that should not extend beyond one year from the Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Act for which the accounting under ASC 740 is complete. To the extent that a company’s accounting for certain income tax effects of the Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Act.

The Company is currently evaluating the potential impacts of The Act. Quantifying the impacts of The Act is not practicable at this time due, among other things, to the inherent complexities involved. Accordingly, the Company expects to continue to analyze such impacts and record any such amounts in future periods.

United States Public Sector Business of DXC Technology Company
Condensed Combined Statements of Operations
(Unaudited)

	Successor	Predecessor
	Nine Months Ended	Nine Months Ended
<u>(in millions)</u>	<u>December 31, 2017</u>	<u>October 31, 2016</u>
Revenues	\$2,104	\$2,103
Costs of services (excludes depreciation and amortization and restructuring costs)	1,632	1,599
Selling, general, and administrative (excludes depreciation and amortization, restructuring costs and separation costs)	132	158
Depreciation and amortization	116	167
Restructuring costs	10	17
Separation costs	44	29
Interest expense	7	27
Interest income	—	(4)
Total costs and expenses	<u>1,941</u>	<u>1,993</u>
Income before taxes	163	110
Income tax (benefit) provision	<u>(13)</u>	<u>42</u>
Net income	<u>\$ 176</u>	<u>\$ 68</u>

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

United States Public Sector Business of DXC Technology Company
Condensed Combined Balance Sheets
(Unaudited)

<u>(in millions)</u>	<u>Successor</u> <u>As of</u> <u>December 31, 2017</u>	<u>Predecessor</u> <u>As of</u> <u>March 31, 2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ —	\$ —
Receivables, net of allowance for doubtful accounts of \$0 and \$0	359	391
Prepaid expenses	110	98
Deferred contract costs	17	22
Total current assets	486	511
Intangible assets, net of accumulated amortization of \$54 and \$60	862	27
Goodwill	2,037	—
Deferred income taxes, net	—	40
Property and equipment, net of accumulated depreciation of \$57 and \$373 . . .	332	469
Other assets	29	26
Total Assets	<u>\$3,746</u>	<u>\$1,073</u>
LIABILITIES and EQUITY		
Current liabilities:		
Current capital lease liability	158	139
Accounts payable	167	107
Accrued payroll and related costs	16	12
Accrued expenses and other current liabilities	194	132
Deferred revenue and advance contract payments	66	76
Total current liabilities	601	466
Non-current capital lease liability	143	155
Non-current deferred revenue	8	22
Non-current deferred tax liabilities	135	—
Other long-term liabilities	16	14
Total Liabilities	903	657
Commitments and contingencies		
Equity:		
Parent company investment	2,843	416
Total Equity	2,843	416
Total Liabilities and Equity	<u>\$3,746</u>	<u>\$1,073</u>

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

United States Public Sector Business of DXC Technology Company
Condensed Combined Statements of Cash Flows
(Unaudited)

(in millions)	Successor Nine Months Ended December 31, 2017	Predecessor Nine Months Ended October 31, 2016
Cash flows from operating activities:		
Net income	\$ 176	\$ 68
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	116	167
Stock-based compensation	4	13
Restructuring charges	10	17
Deferred taxes	(71)	—
Other non-cash charges, net	—	(3)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Decrease in receivables	37	133
(Increase) decrease in prepaid expenses and other current assets	(20)	23
Increase in accounts payable and accruals	99	106
Increase (decrease) in deferred revenue and advances contract payments	3	(97)
Decrease in accrued restructuring	(7)	(17)
Net cash provided by operating activities	347	410
Cash flows from investing activities:		
Purchases of property and equipment	(8)	(5)
Payments for outsourcing contract costs	(9)	(6)
Net cash used in investing activities	(17)	(11)
Cash flows from financing activities:		
Payments on lease liability	(117)	(124)
Transfers to Parent, net	(213)	(275)
Net cash used in financing activities	(330)	(399)
Net increase (decrease) in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of year	—	—
Cash and cash equivalents at end of year	\$ —	\$ —
Supplemental cash flow disclosures:		
Income taxes paid, net	58	42
Interest paid in relation to capital lease obligations	7	23
Supplemental schedule of non-cash investing and financing activities:		
Property and equipment acquired through capital leases	117	133

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

United States Public Sector Business of DXC Technology Company
Condensed Combined Statements of Equity
(Unaudited)

<u>(in millions)</u>	<u>Parent Company Investment</u>	<u>Total Equity</u>
Predecessor:		
Balance at January 31, 2016	\$ 524	\$ 524
Net income	68	68
Transfers to Parent, net	(254)	(254)
Balance at October 31, 2016	338	338
Successor:		
Balance at March 31, 2017	416	416
Effects of purchase accounting	2,434	2,434
Net income	176	176
Transfers to Parent, net	(183)	(183)
Balance at December 31, 2017	<u>\$2,843</u>	<u>\$2,843</u>

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

United States Public Sector Business of DXC Technology Company

Notes to Condensed Combined Financial Statements

Note 1: Overview and Summary of Significant Accounting Policies

Background

The accompanying condensed combined financial statements and notes present the condensed combined results of operations, financial position, and cash flows of the United States Public Sector business (“the Company” or “USPS”) of DXC Technology Company (“DXC”).

USPS delivers standardized technology services and business solutions to all levels of government in the United States. USPS helps clients to address their key objectives of: (1) transforming and modernizing through innovation, (2) enhancing security and privacy, (3) improving efficiency and effectiveness, (4) reducing and optimizing costs, and (5) becoming more agile, flexible, and resilient. USPS aims to be a transformation partner that can maximize technology’s potential to create the solutions that matter most to its government clients. USPS supports various accounts at the U.S. federal, state, and local government levels.

On April 1, 2017, DXC was formed through the strategic combination of Computer Sciences Corporation (“CSC”) with the Enterprise Services business (“HPES”) of Hewlett Packard Enterprise Company (“HPE”), and USPS, which was a business unit of HPE, became a part of DXC. Previously, on November 1, 2015, HPE was spun-off from Hewlett-Packard Company, now called HP Inc. (“HPI”). Accordingly, the term “Parent” refers to HPE for periods between November 1, 2015 and March 31, 2017 and to DXC for periods from April 1, 2017 onward. For purposes of financial statement presentation, we refer to USPS’s periods post-acquisition by DXC as “Successor” and pre-acquisition as “Predecessor”.

On October 11, 2017, the Company announced that it had entered into an Agreement and Plan of Merger (“The Merger”) with Perspecta, Ultra First VMS Inc., Ultra Second VMS LLC, Ultra KMS Inc., Vencore Holding Corp. (“Vencore”), KGS Holding Corp (“KeyPoint”), The SI Organization Holdings LLC and KGS Holding LLC (the “Merger Agreement”). The Merger Agreement provides that DXC will spin off its United States Public Sector business and combine it with Vencore and KeyPoint to form a separate, independent publicly traded company to serve U.S. public sector clients.

To effect the spin-off and merger, DXC will first undertake a series of internal transactions, following which Perspecta, DXC’s new wholly-owned subsidiary, will hold USPS as well as certain other assets and liabilities attributed to it by DXC. The separation will be completed by way of a pro rata distribution of Perspecta shares held by DXC to DXC’s stockholders as of the record date. Completion of the separation will be subject to customary conditions. Refer to “The Transactions—Conditions to the Spin-Off” and “The Transactions—Conditions to Consummation of the Mergers,” of the Information Statement for additional information.

Basis of Presentation

The condensed combined financial statements of USPS were derived from the consolidated and condensed combined financial statements and accounting records of Parent as if USPS were operated on a standalone basis during the periods presented and were prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). USPS historically reported its results based on a fiscal year ending on October 31 and upon the formation of DXC, USPS reports its results based on a fiscal year ending March 31. Accordingly, the periods presented in the condensed combined financial statements are for the nine months ended December 31, 2017 and October 31, 2016. The condensed combined financial statements of USPS for the nine months ended October 31, 2016 do not give effect to purchase price allocation adjustments associated with the strategic combination of CSC and HPES on April 1, 2017. These adjustments are reflected in the successor period results for USPS for the nine months ended December 31, 2017, therefore, the successor period results for USPS are not comparable to the predecessor period results.

The condensed combined statements of operations of USPS 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 USPS and Parent consider these allocations to be a reasonable reflection of the utilization of services by, or the benefits provided to, USPS. The allocations may not, however, reflect the expense USPS would have incurred as a standalone company for the periods presented. Actual costs that may have been incurred if USPS 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 USPS include Parent assets and liabilities that are specifically identifiable or otherwise attributable to USPS, 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 USPS for any of the periods presented because those cash balances are not directly attributable to USPS. USPS 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, other than capital lease obligations, has not been attributed to USPS for any of the periods presented because Parent's borrowings are not the legal obligation of USPS.

Parent maintains various benefit and stock-based compensation plans at a corporate level and other benefit plans at a subsidiary level. USPS's employees participate in those programs and a portion of the cost of those plans are allocated and included in the condensed combined statements of operations. However, the condensed combined balance sheets do not include any net benefit plan obligations as the pension plans were accounted as multiemployer benefit plans. In the opinion of management, the accompanying condensed combined financial statements of USPS contain all adjustments, including normal recurring adjustments, necessary to present fairly USPS's financial position as of December 31, 2017 and March 31, 2017 and its results of operations and cash flows for the nine months ended December 31, 2017 and October 31, 2016. The results of operations and cash flows for the nine months ended December 31, 2017 and October 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 USPS's net assets and results of operations as described above. All intercompany transactions and accounts within the combined businesses of USPS have been eliminated.

Intercompany transactions between USPS and Parent other than leases with HPE Financial Services 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.

The condensed combined financial statements include the operations of USPS except for certain USPS consulting activities which were historically conducted pursuant to contracts with HPE rather than the Company or one of its subsidiaries. Because those contracts were not novated until after October 31, 2016, no information regarding those activities has been presented in our results of operations for the nine months ended October 31, 2016, however, these consulting activities are reflected in our results of operations in the nine months ended December 31, 2017.

Business Segment Information

The Company's chief operating decision maker, the chief operating officer, obtains, reviews, and manages the Company's financial performance as a single operating segment based on combined financial data.

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. Amounts subject to significant judgment and estimates include contracts accounted for using the percentage-of-completion method, intangible assets, certain deferred costs, collectability of receivables, valuation allowances on deferred tax assets, loss accruals for litigation, and inputs used for computing stock-based compensation. Actual results could differ materially from those estimates.

Leases with HPE's Wholly-owned Leasing Subsidiary

USPS enters into leasing arrangements with HPE'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 in current and non-current capital lease liability and principal payments on these obligations are reflected in the Payments on lease liability within financing activities in the condensed combined statements of cash flows.

Parent Company Investment

Parent company investment in the condensed combined balance sheets and condensed combined statements of equity represents Parent's historical investment in USPS, the net effect of transactions with and allocations from Parent and USPS's accumulated earnings.

Recently Issued Accounting Pronouncements

In October 2016, the FASB amended the existing accounting standards for income taxes. The amendments require the recognition of the income tax consequences for intra-entity transfers of assets other than inventory when the transfer occurs. Under current GAAP, current and deferred income taxes for intra-entity asset transfers are not recognized until the asset has been sold to an outside party. The amendments will be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. USPS is required to adopt the guidance in the first quarter of fiscal 2019. Early adoption is permitted. The adoption of the amendments is not expected to have a material impact on the condensed combined financial statements.

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. USPS 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. USPS 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 over the lease term. 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. USPS is required to adopt the guidance in the first quarter of fiscal 2020 using a modified retrospective approach. Early adoption is permitted. USPS is currently evaluating the timing and the impact of these amendments on its condensed combined financial statements.

In May 2014, the FASB amended the existing accounting standards for revenue recognition. The amendments, along with amendments issued in 2015 and 2016, will replace most existing revenue recognition guidance under U.S. GAAP and eliminate industry specific guidance. The core principle of the amendments is that revenue is recognized when the transfer of goods or services to customers occurs in an amount that reflects the consideration to which USPS expects to be entitled in exchange for those goods or services. The guidance also addresses the timing of recognition of certain costs incurred to obtain or fulfill a customer contract. Further, it requires the disclosure of sufficient information to enable readers of USPS's condensed combined financial statements to understand the nature, amount, timing and uncertainty of revenues, and cash flows arising from customer contracts, and information regarding significant judgments and changes in judgments made.

The amendments provide two methods of adoption: full retrospective and modified retrospective. Under the full retrospective method, the standard would be applied to all periods presented with previously disclosed periods restated under the new guidance. Under the modified retrospective method, prior periods would not be restated but rather a cumulative catch-up adjustment would be recorded on the adoption date. USPS will adopt this standard in the first quarter of Fiscal 2019 and expects to adopt using the modified retrospective method.

USPS has performed an initial assessment of the impact of the standard and continues to assess the impact that the guidance will have on accounting policies, processes, systems and internal controls. USPS is currently in the process of implementing the new standard. Based on the implementation efforts to-date, USPS expects the primary accounting impacts to include the following:

- USPS's IT and business process outsourcing arrangements comprise a series of distinct services, for which revenue is expected to be recognized as the services are provided in a manner that is generally consistent with current practices.
- USPS has certain arrangements involving the sale of proprietary software and related services for which vendor-specific objective evidence of fair value may not exist, resulting in the deferral of revenues. Under the new standard, estimates of standalone selling price will be necessary for all software performance obligations, which may result in the acceleration of revenues.
- USPS currently does not capitalize commission costs, which will be required in certain cases under the new standard and amortized over the period that services or goods are transferred to the customer. However, USPS is currently assessing the impact of the standard on commission plans of the Company.

As the quantitative impact of adopting the standard may be significantly impacted by arrangements contracted before the adoption date, USPS has not yet reached a conclusion about whether the accounting impact of the new standard will be material to its condensed combined financial statements. However, USPS expects continuing significant implementation efforts to accumulate and report additional disclosures required by the standard.

Note 2: Acquisition

On April 1, 2017, CSC, HPE, Everett SpinCo, Inc. ("Everett"), and New Everett Merger Sub Inc., a wholly-owned subsidiary of Everett ("Merger Sub"), completed the strategic combination of CSC with HPES to form DXC (the "Merger"). At the time of the Merger, Everett was renamed DXC, and as a result of the Merger, CSC

became a direct wholly owned subsidiary of DXC. The transaction was determined to be a reverse merger and CSC was determined to be the accounting acquirer of DXC. Therefore, for accounting purposes DXC, and in turn USPS, was subject to purchase price allocation adjustments as of April 1, 2017.

The information presented in this note represents allocation of USPS's purchase price to the assets acquired and liabilities assumed as of the acquisition date, April 1, 2017. The total fair value of consideration transferred for USPS was approximately \$2.85 billion. Purchase price was determined based on the enterprise value of USPS estimated as part of the purchase price allocation related to the Merger.

The Company's preliminary estimates of fair values of the assets acquired and the liabilities assumed are based on the information that was available as of the acquisition date, and the Company is continuing to evaluate the underlying inputs and assumptions used in its valuations. Accordingly, these preliminary estimates are subject to change during the measurement period, which is up to one year from the acquisition date. The preliminary estimated purchase price is allocated as follows:

<u>(in millions)</u>	<u>Estimated Fair Value</u>
Cash and cash equivalents	\$ —
Accounts receivable	396
Prepaid expenses	86
Other current assets	22
Total current assets	504
Property and equipment	247
Intangible assets	906
Other assets	28
Deferred income taxes, net	—
Total assets acquired	1,685
Accounts payable, accrued payroll, accrued expenses, and other current liabilities	420
Deferred revenue	71
Non-current capital lease liability	156
Non-current deferred tax liabilities	210
Other liabilities	15
Total liabilities assumed	872
Net identifiable assets acquired	813
Goodwill	2,037
Total estimated consideration transferred	<u>\$2,850</u>

Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed. The goodwill is not deductible for income tax purposes.

As of December 31, 2017, the Company has not finalized the determination of fair values allocated to various assets and liabilities, including, but not limited to: receivables; property and equipment; deferred income taxes, net; deferred revenue and advanced contract payments; deferred costs; intangible assets; accounts payable and accrued liabilities; lease obligations; loss contracts; and goodwill.

As of the period ended December 31, 2017, the Company made a number of refinements to the April 1, 2017 preliminary purchase price allocation as reported as of September 30, 2017. These refinements were primarily driven by the Company recording valuation adjustments to certain preliminary estimates of fair values which resulted in a decrease in net assets of \$10 million. Total assets decreased by \$3 million, primarily driven by a \$4 million decrease in property and equipment primarily arising from the reduction in the preliminary fair

value of assets related to land, buildings and leasehold improvements. Liabilities increased by \$7 million primarily driven by a \$5 million adjustment to deferred revenue related to a valuation adjustment for outsourcing and other customer contracts taking into account continuing performance obligation, and a decrease in long-term tax related liabilities of \$6 million.

Current assets and liabilities

The Company valued current assets and liabilities using existing carrying values as an estimate for the fair value of those items at the Merger date due to the short-term nature of the underlying assets and liabilities.

Property and equipment

The acquired property and equipment are summarized in the following table:

<u>(in millions)</u>	<u>Amount</u>
Land, buildings, and leasehold improvements	\$ 66
Computers and related equipment	181
Total	<u>\$247</u>

The Company estimated the value of acquired property and equipment using predominantly the market method and in certain cases, the cost method.

Identified intangible assets

The acquired identifiable intangible assets are summarized in the following table:

<u>(in millions)</u>	<u>Amount</u>	<u>Estimated Useful Lives (Years)</u>
Software	\$ 2	2-4
Program assets	900	13
Outsourcing contract costs	4	5
Total	<u>\$906</u>	

The Company estimated the value of program intangible assets using the multi-period excess earnings method. Outsourcing contract costs were fair valued taking into account continuing performance obligation.

Capital Lease Liability

Assumed indebtedness is comprised of capitalized lease liabilities. The Company will continue to assess the fair value of capital leases during the measurement period.

Deferred Tax Liabilities

The Company preliminarily recorded deferred tax assets and liabilities based on statutory tax rates in the U.S. jurisdictions of the legal entities where the acquired assets and liabilities are taxed. The Company will continue to assess the income tax implications of the acquisition during the measurement period.

Unaudited Pro Forma Results of Operations

The following table provides unaudited supplemental pro forma results of operations for the nine months ended October 31, 2016.

<u>(in millions)</u>	<u>Predecessor Nine Months Ended October 31, 2016</u>
Revenues	\$2,103
Net income	\$ 86

These results have been derived from our historical financial statements and have been prepared to give effect to the Merger, assuming that the Merger occurred on November 1, 2015. The unaudited pro forma information presented is for informational purposes only and is not necessarily indicative of the operating results that would have occurred had the Merger been consummated at November 1, 2015, nor is it necessarily indicative of future operating results.

Note 3: Sale of Receivables

Receivables Sales Facility

On July 14, 2017, Enterprise Services LLC, a wholly-owned subsidiary of Parent, entered into a Master Accounts Receivable Purchase Agreement (the “Purchase Agreement”) with certain financial institutions (the “Financial Institutions”). The Purchase Agreement established a federal government obligor receivables purchase facility (the “Facility”). Concurrently, Parent entered into a guaranty made in favor of the Financial Institutions, that guarantees the obligations of the sellers and servicers of receivables under the Purchase Agreement. The guaranty does not cover any credit losses under the receivables. In connection with the previously announced spin-off of the USPS business, Parent entered into certain amendments to the guaranty whereby Parent can request to terminate its guaranty at the time of the separation of the USPS business. In accordance with the terms of the Purchase Agreement, on January 23, 2018, the Purchase Agreement was amended to increase the facility limit from \$200 million to \$300 million in funding based on the availability of eligible receivables and the satisfaction of certain conditions.

Under the Facility, Parent sells USPS’s eligible federal government obligor receivables, including both billed and certain unbilled receivables. Parent has no retained interests in the transferred receivables other than collection and administrative functions for the Financial Institutions for a servicing fee. The Facility has a one-year term but may be extended.

The Company accounts for these receivable transfers as sales and derecognizes the sold receivables from its condensed combined balance sheets. The fair value of the sold receivables approximated their book value due to their short-term nature. The Company estimated that its servicing fee was at fair value and therefore, no servicing asset or liability related to these services was recognized as of December 2017.

During the nine months ended December 31, 2017, the Company sold \$1.2 billion of billed and unbilled receivables. Collections corresponding to these receivables sales were \$1.0 billion during the nine months ended December 31, 2017. As of December 31, 2017, there was \$27 million of cash collected by the Company, but not remitted to the Financial Institutions, which represents restricted cash and is included within other current assets on the condensed consolidated balance sheets. The net effect of these transactions with the Parent is reflected in Parent company investment.

Note 4: Restructuring

Summary of Restructuring Plans

Restructuring charges of \$10 million and \$17 million have been recorded by USPS during the nine months ended December 31, 2017 and October 31, 2016, respectively, based on restructuring activities impacting USPS's employees and infrastructure. Restructuring activities related to USPS's employees and infrastructure, summarized by plan were as presented in the table below:

<u>(in millions)</u>	<u>Accrued restructuring as of March 31, 2017</u>	<u>Costs expensed, net of reversals</u>	<u>Cash paid</u>	<u>Other</u>	<u>Accrued restructuring as of December 31, 2017</u>
Fiscal 2018 Plan					
Workforce					
reductions	\$ —	\$ 1	\$(1)	\$ —	\$ —
Facilities costs	<u>—</u>	<u>9</u>	<u>(5)</u>	<u>(1)</u>	<u>3</u>
Total	<u>\$ —</u>	<u>\$10</u>	<u>\$(6)</u>	<u>\$ (1)</u>	<u>\$ 3</u>

<u>(in millions)</u>	<u>Accrued restructuring as of March 31, 2017</u>	<u>Costs expensed, net of reversals</u>	<u>Cash paid</u>	<u>Other</u>	<u>Accrued restructuring as of December 31, 2017</u>
Fiscal 2015 Plan					
Workforce					
reductions	\$ 1	\$ —	\$ (1)	\$ —	\$ —
Facilities costs	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ —</u>

Restructuring liability is included in accrued expenses and other current liabilities in the condensed combined balance sheets as of December 31, 2017.

Fiscal 2018 Restructuring Plan

On June 30, 2017, Parent approved a post-Merger restructuring plan (the "Fiscal 2018 Plan"). The restructuring initiatives are intended to reduce Parent's cost structure and related operating costs, improve its competitiveness, and facilitate the achievement of acceptable and sustainable profitability. The Fiscal 2018 Plan focuses mainly on optimizing specific aspects of workforce and re-balancing the pyramid structure. Additionally, this plan includes facility restructuring.

Fiscal 2015 Restructuring Plan

Restructuring plans initiated by Parent in fiscal 2015 were completed as of December 31, 2017.

Note 5: Retirement and Post-Retirement Benefit Plans

Defined Benefit Plans

Certain eligible employees, retirees and other former employees of USPS participate in certain U.S. and defined benefit pension plans offered by Parent. These plans whose participants included both USPS 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 USPS based on USPS's labor costs and allocations of corporate and other shared functional personnel and is not material to the periods presented.

Defined Contribution Plans

Parent offers various defined contribution plans for U.S. employees. USPS defined contribution expense was \$10 million and \$1 million for the nine months ended December 31, 2017 and October 31, 2016, respectively.

Note 6: Stock-Based Compensation

Certain of USPS's employees participated in stock-based compensation plans sponsored by Parent. Parent's stock-based compensation plans included 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 condensed combined and consolidated statements of equity and not in the condensed combined statements of equity. Stock-based compensation expense includes expense attributable to USPS based on the awards and terms previously granted under the incentive compensation plan to USPS'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 USPS would have experienced as an independent company for the periods presented.

Stock-based compensation expense was \$4 million and \$13 million for the nine months ended December 31, 2017 and October 31, 2016, respectively.

Note 7: Taxes on Earnings

USPS's provision for income taxes and deferred tax balances have been calculated on a separate return basis as if USPS filed its own tax returns, although its operations have been included in Parent's U.S. federal and state tax returns. USPS had no income (loss) from entities domiciled outside of the U.S. The separate return method applies the accounting guidance for income taxes to the standalone financial statements as if USPS were a separate taxpayer and a standalone enterprise for the periods presented.

Provision for Taxes

On December 22, 2017, the President of the United States signed into law comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Act"). The Act makes significant changes to the Internal Revenue Code of 1986 with varying effective dates. The Act reduces the maximum corporate income tax rate to 21% effective as of January 1, 2018, requires companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries, broadens the tax base, generally eliminates U.S. federal income taxes on dividends from foreign subsidiaries, creates a new limitation on the deductibility of interest expense, limits the deductibility of certain executive compensation, and allows for immediate capital expensing of certain qualified property. It also requires companies to pay minimum taxes on foreign earnings and subjects certain payments from U.S. corporations to foreign related parties to additional taxes. As a fiscal year taxpayer, the Company will not be subject to many of the tax law provisions until fiscal year 2019; however, U.S. generally accepted accounting principles require companies to revalue their deferred tax assets and liabilities with resulting tax effects accounted for in the reporting period of enactment including retroactive effects. Section 15 of the Internal Revenue Code stipulates that the Company's fiscal year ending March 31, 2018, will have an estimated blended corporate U.S. federal income tax rate of 30.38%, which is based on the applicable tax rates before and after the Act and the number of days in the Company's federal tax year pro-rated for actual earnings through its October 31, 2017 tax year-end.

The SEC staff issued SAB 118, which provides guidance on accounting for the tax effects of the Act. SAB 118 provides a measurement period that should not extend beyond one year from the Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Act for which the accounting under ASC 740 is complete. To the extent

that a company's accounting for certain income tax effects of the Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Act.

Based on a preliminary assessment of the Act, the Company believes that the most significant impact on the Company's consolidated financial statements are as follows:

Reduction of U.S. federal corporate income tax rate: As discussed above, the Act reduces the corporate tax rate to 21%, effective January 1, 2018. For certain DTAs and DTLs, the Company has recorded a provisional deferred income tax discrete benefit of \$71 million, resulting in a \$71 million decrease in net deferred tax liabilities as of December 31, 2017. While the Company is able to make a reasonable estimate of the impact of the reduction in corporate tax rate, the amount will be impacted by changes in estimated deferred tax balances prior to and after December 22, 2017 for fiscal year March 31, 2018.

Capital expensing: The Company has not yet completed all of the computations necessary or completed an inventory of its 2018 expenditures that qualify for immediate expensing to determine a reasonable estimate. The income tax effects for this change in law require further analysis due to the volume of data required to complete the calculations.

Due to anticipated future guidance to be issued by the Internal Revenue Service, interpretation of the changes in tax law and analysis of the information required to complete the calculations, the amounts recorded as a result of the Act in the period are provisional and subject to material changes. The Company will continue to analyze the Act's impact on its consolidated financial statements and adjust the provisional amounts recorded as our analysis is completed, no later than December 2018.

USPS's effective tax rate was (8)% and 38% for the nine months ended December 31, 2017 and October 31, 2016, respectively. USPS's effective tax rate for nine months ended December 31, 2017 generally differs from the U.S. federal statutory rate primarily due to the remeasurement of deferred tax assets and liabilities as a result of the Act. USPS's effective tax rate for the nine months ended October 31, 2016 generally differs from the U.S. federal statutory rate primarily due to the impact of state taxes.

Note 8: Balance Sheet Details

Balance sheet details were as follows:

Receivables

(in millions)	Successor	Predecessor
	As of December 31, 2017	As of March 31, 2017
Billed receivables	\$145	\$195
Unbilled receivables	214	196
Gross receivables	359	391
Allowance for doubtful accounts	—	—
Receivables, net of allowance for doubtful accounts . . .	<u>\$359</u>	<u>\$391</u>

Property and Equipment

	Successor	Predecessor
	As of	As of
(in millions)	December 31, 2017	March 31, 2017
Land, buildings and leasehold improvements	\$ 69	\$ 339
Computers and related equipment	306	449
Furniture and other equipment	14	54
	389	842
Accumulated depreciation	(57)	(373)
	<u>\$332</u>	<u>\$ 469</u>

The decrease in gross property and equipment and accumulated depreciation was due to the Merger (see Note 2, “Acquisition”). The gross property 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 computers and related equipment. Capital lease assets included in Property and equipment in the condensed combined balance sheets were \$299 million and \$442 million as of December 31, 2017 and March 31, 2017, respectively. Accumulated depreciation on the property under capital leases was \$51 million and \$149 million as of December 31, 2017 and March 31, 2017, respectively.

Depreciation expense for property and equipment, excluding capital lease assets, was \$11 million, of which \$5 million relates to allocated depreciation expense for shared corporate assets for the nine months ended December 31, 2017. Depreciation expense for property and equipment, excluding capital lease assets, was \$10 million for the nine months ended October 31, 2016.

Depreciation expense for capital lease assets was \$51 million and \$115 million for the nine months ended December 31, 2017 and October 31, 2016, respectively.

Other Assets

	Successor	Predecessor
	As of	As of
(in millions)	December 31, 2017	March 31, 2017
Deferred contracts costs—long-term and other	\$ 8	\$ 1
Prepaid expenses—long-term	21	25
Total other assets	<u>\$29</u>	<u>\$26</u>

Accrued Expenses and Other Current Liabilities

	Successor	Predecessor
	As of	As of
(in millions)	December 31, 2017	March 31, 2017
Accrued liabilities for customer program	\$155	\$ 94
Litigation liabilities	3	14
Other	36	24
Total accrued expenses and other current liabilities	<u>\$194</u>	<u>\$132</u>

Note 9: Intangible Assets

Intangible assets were as follows:

Successor:

(in millions)	As of December 31, 2017		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Software	\$ 3	\$ 1	\$ 2
Program assets	900	52	848
Outsourcing contract costs	13	1	12
Total intangible assets	<u>\$916</u>	<u>\$ 54</u>	<u>\$862</u>

Predecessor:

(in millions)	As of March 31, 2017		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Software	\$ 27	\$ 24	\$ 3
Program assets	11	10	1
Outsourcing contract costs	49	26	23
Total intangible assets	<u>\$ 87</u>	<u>\$ 60</u>	<u>\$ 27</u>

Amortization expense for the nine months ended December 31, 2017 and October 31, 2016, was \$54 million and \$42 million, respectively.

The increase in net and gross carrying value during the nine months ended December 31, 2017 were primarily due to the Merger (see Note 2—"Acquisitions").

Estimated future amortization related to intangible assets as of December 31, 2017 is as follows:

Fiscal Year	(in millions)
Remainder of 2018	\$ 18
2019	73
2020	73
2021	73
2022	72
Thereafter	553
Total future amortization	<u>\$ 862</u>

Note 10: Goodwill

The following table summarizes the changes in the carrying amount of Goodwill for the nine months ended December 31, 2017.

(in millions)	
Balance as of March 31, 2017	\$ —
Additions	<u>2,037</u>
Balance as of December 31, 2017	<u>\$2,037</u>

The additions to goodwill during the nine months ended December 31, 2017 were due to the Merger described in Note 2—"Acquisitions."

Goodwill Impairment Analyses

The Company tests goodwill for impairment on an annual basis, as of the first day of the second fiscal quarter, and between annual tests if circumstances change, or if an event occurs that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company's annual goodwill impairment analysis, which was performed qualitatively during the quarter ended September 30, 2017, did not result in an impairment charge. This qualitative analysis, which is commonly referred to as step zero under ASC Topic 350, Goodwill and Other Intangible Assets, considered all relevant factors specific to the reporting units, including macroeconomic conditions; industry and market considerations; overall financial performance and relevant entity-specific events.

Note 11: Related Party Transactions and Parent Company Investment

Allocation of Corporate Expenses

The condensed combined statements of operations 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 \$118 million and \$112 million for the nine months ended December 31, 2017 and October 31, 2016, respectively, and they are recorded within costs of services and selling, general and administrative in the combined statement of operations.

Management of USPS and Parent consider these allocations to be a reasonable reflection of the utilization of services by, or the benefits provided to, USPS. These allocations may not, however, reflect the expense USPS would have incurred as a standalone company for the periods presented. Actual costs that may have been incurred if USPS 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 USPS, the net effect of transactions with and allocations from Parent and USPS's accumulated earnings.

Transfers from (to) Parent, net

Transfers from (to) Parent, net are included within Parent company investment. The components of the Transfers from (to) Parent, net on the condensed combined statements of equity for the nine months ended December 31, 2017 and October 31, 2016 were as follows:

	<u>Successor</u> <u>Nine Months</u> <u>Ended</u> <u>December 31, 2017</u>	<u>Predecessor</u> <u>Nine Months</u> <u>Ended</u> <u>October 31, 2016</u>
(in millions)		
Effects of purchase accounting	\$ 2,434	\$ —
Cash pooling and general financing activities	(2,793)	(408)
Corporate allocations	118	112
Income taxes	58	42
Total transfers (to) from Parent per condensed Combined Statements of Equity	<u>\$ (183)</u>	<u>\$(254)</u>

Note 12: Litigation and Contingencies

USPS is involved in various lawsuits, claims, investigations and proceedings including those consisting of intellectual property, commercial, 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 USPS, 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 USPS 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. USPS 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. USPS 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, USPS 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. USPS believes it has recorded adequate provisions for any such matters and, as of December 31, 2017 and March 31, 2017, 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

State of Michigan v. HP Enterprise Services, LLC: In 2005, the State of Michigan ("MI") entered into a contract with Electronic Data Systems Corp. (later renamed HP Enterprise Services, LLC, now known as Enterprise Services LLC ("ES")) for the purpose of designing, developing, and implementing an enterprise application for the MI Department of State (MI's Department of Motor Vehicles). On August 28, 2015, MI sent a letter notifying ES that the contract had been terminated for cause. The key disagreement between the parties related to the apportionment of responsibility for missed project milestones (and MI's effort to put all of the blame for delays on ES) and the value of the deliverables that MI had accepted as of the date of the termination. On September 18, 2015, MI filed a complaint against ES in Michigan state court seeking \$11 million in liquidated damages, the State's costs of re-procuring and completing the project, and injunctive relief. The parties executed a Settlement Agreement on March 28, 2017, pursuant to which the termination for cause was converted to a termination for convenience and ES agreed to pay MI \$9.5 million and to provide MI with a \$3.5 million credit on future work. A stipulation of dismissal was entered by the court dismissing the MI state action on April 25, 2017.

Washington, D.C. Navy Yard Litigation: In December 2013, a wrongful death action was filed in U.S. District Court for the Middle District of Florida against HP Enterprise Services, LLC, now known as Enterprise Services LLC ("ES") and others in connection with the September 2013 Washington, D.C. Navy Yard shooting that resulted in the deaths of 12 individuals. The perpetrator was an employee of The Experts, ES's now terminated subcontractor on ES's IT services contract with the U.S. Navy (a contract served by USPS). A total of 15 lawsuits arising out of the shooting have been filed. All have been consolidated in the U.S. District Court for the District of Columbia. ES filed motions to dismiss, which the Court has granted in part and denied in part. On September 1, 2017, the Court granted in part and denied in part Enterprise Services' motion to dismiss the claims asserted in the remaining six cases.

On April 28, 2017, the Court entered a scheduling order, bifurcating the proceedings in all fifteen cases into two phases. The first phase shall address all issues other than plaintiffs' damages. The second phase shall address plaintiffs' damages. The Court ordered that fact discovery in the first phase shall be completed no later than December 11, 2017. On December 4, 2017, the Court extended the deadline for the completion of first-phase fact discovery to February 12, 2018. A status conference is scheduled for April 12, 2018.

Forsyth, et al. v. HP Inc. and Hewlett Packard Enterprise: This purported class and collective action was filed on August 18, 2016 in the U.S. District Court for the Northern District of California, against HP and HPE (together, the “Defendants”) alleging violations of 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. Former business units of HPE, including USPS, will be proportionately liable for any recovery by plaintiffs in this matter. Plaintiffs seek to certify a nationwide class action under the ADEA comprised of all U.S. residents employed by defendants who had their employment terminated pursuant to a work force reduction (“WFR”) plan on or after December 9, 2014 (deferral states) and April 8, 2015 (non-deferral states), 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 the Defendants in the state of California and terminated pursuant to a WFR plan on or after August 18, 2012. On January 30, 2017, the Defendants filed a partial motion to dismiss and a motion to compel arbitration of claims by opt-in plaintiffs who signed releases as part of their WFR packages. On September 20, 2017, the Court denied the partial motion to dismiss without prejudice, but granted the Defendants’ motions to compel individual arbitration. Accordingly, the Court stayed the entire action pending arbitration, and administratively closed the case. The Court reaffirmed the stay of litigation on February 6, 2018. On December 21, 2017, Defendants filed a motion to enjoin class arbitration, which the Court denied on February 6, 2018. The Court granted Defendants leave to file a motion for reconsideration of the February 6, 2018 Order; briefing will be completed on March 16, 2018.

In addition to the matters noted above, the Company is currently subject in the normal course of business to various claims and contingencies arising from, among other things, disputes with customers, vendors, employees, contract counterparties and other parties, as well as securities matters, environmental matters, matters concerning the licensing and use of intellectual property, and inquiries and investigations by regulatory authorities and government agencies. Some of these disputes involve or may involve litigation. The condensed combined financial statements reflect the treatment of claims and contingencies based on management’s view of the expected outcome. USPS consults with outside legal counsel on issues related to litigation and regulatory compliance and seeks input from other experts and advisors with respect to matters in the ordinary course of business. Although the outcome of these and other matters cannot be predicted with certainty, and the impact of the final resolution of these and other matters on the Company’s results of operations in a particular subsequent reporting period could be material and adverse, management does not believe based on information currently available to the Company, that the resolution of any of the matters currently pending against the Company will have a material adverse effect on the financial position of the Company or the ability of the Company to meet its financial obligations as they become due. Unless otherwise noted, the Company is unable to determine at this time a reasonable estimate of a possible loss or range of losses associated with the foregoing disclosed contingent matters.

Note 13: Guarantees and Indemnifications

Guarantees

In the ordinary course of business, USPS may issue performance guarantees to certain of its clients, customers and other parties pursuant to which USPS 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, USPS would be obligated to perform over the term of the guarantee in the event a specified triggering event occurs as defined by the guarantee. USPS believes the likelihood of having to perform under a material guarantee is remote.

USPS 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 USPS’s non-performance under the contract or failure to comply with the terms of the financing arrangement, USPS could, under certain circumstances, be required to acquire certain assets related to the service contract. USPS believes the likelihood of having to acquire a material amount of assets under these arrangements is remote.

Indemnifications

In the ordinary course of business, USPS enters into contractual arrangements under which USPS may agree to indemnify a third party to such arrangement from any losses incurred relating to the services they perform on behalf of USPS 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. USPS 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 USPS'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 14: Commitments

Lease Commitments

USPS leases certain real and personal property under non-cancelable operating leases. Certain leases require USPS to pay property taxes, insurance and routine maintenance and include renewal options and escalation clauses.

As of December 31, 2017, future minimum operating lease commitments were as follows:

<u>Fiscal year</u> <u>(in millions)</u>	<u>Real Estate &</u> <u>Equipment</u>
Remainder of 2018	\$ 11
2019	38
2020	28
2021	12
2022	5
Thereafter	<u>17</u>
Minimum fixed rentals	111
Less: Sublease rental income	<u>(4)</u>
Total	<u>\$107</u>

Note 15: Subsequent Events

USPS evaluated subsequent events for recognition or disclosure through March 16, 2018, the date condensed combined financial statements were available to be issued. No events, other than those described in these notes, have occurred that would require recognition or disclosure in the condensed combined financial statements.

Report of Independent Auditors

To the Management and Board of Directors of Vencore Holding Corp. and KGS Holding Corp.

We have audited the accompanying combined financial statements of Vencore Holding Corp. and KGS Holding Corp., which comprise the combined balance sheets as of December 31, 2017 and 2016, and the related combined statements of operations, comprehensive income (loss), cash flows and stockholder's (deficit) equity for each of the three years in the period ended December 31, 2017.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the combined financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Vencore Holding Corp. and KGS Holding Corp. as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP
McLean, Virginia
March 16, 2018

Vencore Holding Corp. and KGS Holding Corp.

Combined Balance Sheets
(in thousands, except share data)

	<u>As of December 31,</u>	
	<u>2016</u>	<u>2017</u>
Assets		
Current assets:		
Cash	\$ 66,050	\$ 95,132
Accounts receivable, net	166,537	180,337
Restricted cash	—	80
Prepaid and other current assets	19,072	12,986
Deferred costs	21,727	24,264
Total current assets	273,386	312,799
Property, equipment, and capitalized software, net	35,166	35,851
Purchased intangible assets, net	259,713	240,534
Goodwill	396,924	396,924
Other long-term assets	57,890	44,635
Total assets	<u>\$1,023,079</u>	<u>\$1,030,743</u>
Liabilities and stockholder's equity		
Current liabilities:		
Accounts payable and accrued expenses	63,552	80,333
Accrued compensation and benefits	79,581	82,360
Current portion of long-term debt	18,244	23,338
Other current liabilities	32,518	37,437
Total current liabilities	193,895	223,468
Long-term debt, net of current portion	859,980	947,678
Accrued pension and other post-retirement liabilities, net of current portion	81,964	103,584
Other long-term liabilities	84,260	53,577
Total liabilities	<u>1,220,099</u>	<u>1,328,307</u>
Commitments and Contingencies (Note 20)		
Stockholder's equity:		
Common stock, \$0.01 par value, 2,000 shares authorized, 2 shares issued and outstanding at December 31, 2016 and 2017, respectively.	—	—
Additional paid-in capital	188,945	188,945
Accumulated deficit	(327,220)	(403,426)
Accumulated other comprehensive loss	(58,745)	(83,083)
Total stockholder's (deficit) equity	<u>(197,020)</u>	<u>(297,564)</u>
Total liabilities and stockholder's equity	<u>\$1,023,079</u>	<u>\$1,030,743</u>

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

Vencore Holding Corp. and KGS Holding Corp.

Combined Statements of Operations
(in thousands)

	Year Ended December 31,		
	2015	2016	2017
Revenue	\$ 1,399,153	\$ 1,405,089	\$ 1,376,036
Operating costs and expenses			
Cost of revenue (excluding depreciation and amortization)	(1,161,925)	(1,159,080)	(1,148,833)
General and administrative expenses	(88,155)	(83,211)	(101,042)
Depreciation and amortization	(36,352)	(35,457)	(30,708)
Gain on contingent consideration	7,897	—	—
Deferred contract costs	(2,854)	(6,493)	(5,143)
Gain on pension plan	1,239	6,451	9,018
Total operating costs and expenses	(1,280,150)	(1,277,790)	(1,276,708)
Income from operations	119,003	127,299	99,328
Interest expense	(75,240)	(76,930)	(81,151)
Debt extinguishment costs	—	(7,159)	(4,259)
Other, net	597	1,795	582
Investment gain	—	—	2,951
Income before income taxes and equity in net losses of affiliate	44,360	45,005	17,451
Income tax (expense) benefit	(21,346)	(25,290)	10,260
Income before equity in net losses of affiliate	23,014	19,715	27,711
Equity in net losses of affiliate	—	—	(1,263)
Net income	<u>\$ 23,014</u>	<u>\$ 19,715</u>	<u>\$ 26,448</u>

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

Vencore Holding Corp. and KGS Holding Corp.
Combined Statements of Comprehensive Income (Loss)
(in thousands)

	Year Ended December 31,		
	2015	2016	2017
Net income	\$ 23,014	\$19,715	\$ 26,448
Other comprehensive loss, net of tax:			
Post-retirement benefits:			
Actuarial loss on defined benefit pension plans, net of tax	(9,724)	(412)	(22,328)
Amounts reclassified from accumulated other comprehensive loss, net of tax . .	(3,078)	(2,836)	(2,600)
Available-for-sale securities:			
Net changes related to available-for-sale securities, net of tax	(472)	369	590
Other comprehensive loss	(13,274)	(2,879)	(24,338)
Total comprehensive income	<u>\$ 9,740</u>	<u>\$16,836</u>	<u>\$ 2,110</u>

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

Vencore Holding Corp. and KGS Holding Corp.

Combined Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2015	2016	2017
Operating activities			
Net income	\$ 23,014	\$ 19,715	\$ 26,448
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	36,352	35,457	30,708
Amortization of debt discount and debt issuance costs	7,131	9,007	9,361
Amortization of deferred contract costs	2,854	6,493	5,143
Gain on contingent consideration	(7,897)	—	—
Loss on debt extinguishment	—	7,159	4,259
Share-based compensation expense (income)	4,018	(219)	3,617
Deferred income taxes	10,393	20,903	(15,683)
Remeasurement of lease abandonment	—	(1,598)	(834)
Gain on dispositions of property and equipment	(796)	431	109
Gain on investment	—	—	(2,951)
Loss from equity-method investment	—	—	1,263
Changes in operating assets and liabilities, net of the effect of acquisitions			
Accounts receivable, net	32,502	5,027	(13,800)
Prepaid expenses and other current assets	2,688	(5,036)	5,999
Deferred costs	(9,870)	922	(2,537)
Other long-term assets	(1,541)	1,370	12,706
Accounts payable and accrued expenses	(12,862)	8,985	16,124
Accrued compensation and benefits	(4,219)	13,577	(838)
Other current liabilities	(5,979)	(2,179)	4,526
Post-retirement pension plans	(2,285)	(9,314)	(9,365)
Other long term liabilities	(4,097)	(13,156)	(12,534)
Payment of contingent consideration, in excess of acquisition date fair value	(4,968)	—	—
Other, net	840	68	72
Net cash provided by operating activities	65,278	97,612	61,793
Investing activities			
Expenditures for property, equipment and capitalized software	(15,915)	(11,210)	(9,410)
Proceeds from property and equipment disposal	6,155	37	—
Investment in deferred compensation plans	(735)	(861)	(61)
Investment in company owned life insurance	(2,521)	(2,924)	(1,906)
Proceeds from sale of investment in company owned life insurance plan	3,842	—	3,800
Change in restricted cash	25,462	160	—
Investments in affiliate/JV	—	—	(500)
Net cash provided by (used in) investing activities	16,288	(14,798)	(8,077)
Financing activities			
Liquidating dividend	—	(183,000)	(102,654)
Proceeds from issuance of long-term debt	9,616	311,100	215,000
Repayments of delayed draw contingent consideration	(25,000)	—	—
Payments of long-term debt	(27,572)	(202,250)	(127,413)
Payment of debt issuance costs	—	(16,615)	(4,750)
Debt extinguishment cost	—	(1,750)	(3,937)
Payments on capital lease	(56)	(465)	(880)
Cash paid to revolving credit facility	(462)	—	—
Payment of contingent consideration	(4,648)	—	—
Net cash used for financing activities	(48,122)	(92,980)	(24,634)
Net increase (decrease) in cash	33,444	(10,166)	29,082
Cash at beginning of year	42,772	76,216	66,050
Cash at end of year	\$ 76,216	\$ 66,050	\$ 95,132
Supplemental disclosure of cash flow information			
Equipment acquired under capital leases	\$ 151	\$ 1,481	\$ 2,061
Purchases of property & equipment in accounts payable & accrued expenses	\$ 779	\$ 117	\$ 657
Cash paid for interest	\$(67,518)	\$ (67,020)	\$ (70,252)
Cash (paid) received for taxes	\$ (3,662)	\$ (11,398)	\$ 3,025

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

Vencore Holding Corp. and KGS Holding Corp.
Combined Statements of Stockholder's (Deficit) Equity
(In thousands except share and per share amounts)

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Other Comprehensive (Loss) Income</u>	<u>Accumulated Deficit</u>	<u>Total Stockholder's (Deficit) Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balances at December 31, 2014 . . .	2	—	\$ 371,945	\$(42,592)	\$(369,949)	\$ (40,596)
Other comprehensive loss	—	—	—	(13,274)	—	(13,274)
Net income	—	—	—	—	23,014	23,014
Balances at December 31, 2015 . . .	2	—	\$ 371,945	\$(55,866)	\$(346,935)	\$ (30,856)
Liquidating dividend	—	—	(183,000)	—	—	(183,000)
Other comprehensive loss	—	—	—	(2,879)	—	(2,879)
Net income	—	—	—	—	19,715	19,715
Balances at December 31, 2016 . . .	2	—	\$ 188,945	\$(58,745)	\$(327,220)	\$(197,020)
Liquidating dividend	—	—	—	—	(102,654)	(102,654)
Other comprehensive loss	—	—	—	(24,338)	—	(24,338)
Net income	—	—	—	—	26,448	26,448
Balances at December 31, 2017 . . .	2	—	\$ 188,945	\$(83,083)	\$(403,426)	\$(297,564)

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

Vencore Holding Corp. and KGS Holding Corp.

Notes to Combined Financial Statements

1. Organization and Business Overview

Description of the Organization

Vencore Holding Corp., was incorporated in Delaware in October 2010 and is a holding company whose primary purpose is its ownership of the equity in Vencore Inc. (“Vencore OpCo”), the principal operating company of the Vencore business. Vencore Holding Corp. is wholly owned by The SI Organization Holdings LLC, a Delaware limited liability company. The SI Organization Holdings LLC, on a fully diluted basis, is approximately 51% owned by The Veritas Capital Fund IV, L.P. (through Class A membership interests), 19% owned by PGSI Holdings LLC (through Class A membership interests), 14% owned by TSIO Holdings LLC (through Class A membership interests), 6% owned by The Veritas Capital Fund III, L.P. (through Class A membership interests), 6% owned by certain members of Vencore OpCo’s senior management and employees of and advisors to Vencore (through Class A membership interests and Class B/B-1 membership interests), 3% owned by entities affiliated with TCW/Crescent Mezzanine, LLC (through Class A membership interests), and 1% owned by entities affiliated with DLJ Investment Partners (through Class A membership interests). Class A membership interests are issued at the The SI Organization Holdings LLC level. Vencore Holding Corp. was formerly named The SI Organization Holding Corp. (from 2010 to 2014), and was created as part of the divestiture of Vencore OpCo (then named The SI Organization, Inc.) from Lockheed Martin Corporation in 2010.

On May 23, 2014, Vencore OpCo acquired QinetiQ North America Services and Solutions Group through the purchase of all of the issued and outstanding stock of QinetiQ North America, Inc., a Delaware corporation (“QNA SSG”). As of July 22, 2014, QNA SSG’s name was changed to Vencore Services and Solutions, Inc. (“VSS”). On May 14, 2013, Vencore acquired TT Government Solutions, Inc., doing business as Applied Communication Sciences (“ACS”); ACS was renamed Vencore Labs, Inc. on January 1, 2015. As used herein, “Vencore” refers to Vencore Holding Corp., Vencore Holding Corp. is a holding company of Vencore OpCo and its direct and indirect subsidiaries, including VSS and ACS.

Keypoint Government Solutions, Inc. (“Keypoint OpCo”) was initially established as a subsidiary of Kroll, Inc., a corporate investigations and risk consulting firm, as Kroll Government Services, Inc. to exclusively service government clients during the development of the Department of Homeland Security. In May 29, 2009, Veritas Capital Fund III, L.P., formed KGS Holding Corporation (“Keypoint”) as a wholly owned subsidiary of KGS Holding LLC, for the purposes of acquiring the business and operations of KGS from Kroll, Inc. KGS Holding LLC is 78.8624% owned by Veritas Capital Fund III, L.P. (through Class A shares), 7.8662% owned by John Hancock Entities (through Class A shares), and 13.2514% owned by Keypoint’s management and Chertoff Group Investments, LLC (through Class A, Class B and B-1 shares).

Nature of Business

Vencore OpCo provides mission-critical, innovation-driven services and solutions to U.S. Government customers. The foundation of its business is the application of systems engineering and integration, cybersecurity, applied research and big data analytics on an enterprise-wide scale to assist U.S. Government customers in solving their most complex information-related challenges. Vencore OpCo provides the architecture and integration of highly-engineered, mission-critical information solutions across the U.S. Government and provides enterprise-level support to multiple governmental programs that manage, collect, analyze and disseminate critical mission data to national security agencies and their customers. We maintain expertise in providing comprehensive solutions throughout the life of multi-billion dollar systems that support the core missions of the U.S. Intelligence Community and other U.S. Government agency customers. Our services and solutions span the entire lifecycle of programs, encompassing system(s) definition, architecture, agile solutions

development, test and integration, deployment and operations. Keypoint OpCo performs and delivers background investigations, compliance monitoring, and risk and security consulting services to its clients, primarily the U.S. Government. Other customers include state and local governments and commercial customers. Vencore OpCo is headquartered in Chantilly, Virginia with approximately 3,500 employees as of December 31, 2017. Keypoint OpCo is headquartered in Loveland, Colorado with approximately 2,300 employees as of December 31, 2017.

2. Significant Accounting Policies

Principles of Combination and Basis of Presentation

The accompanying combined financial statements include the accounts of Vencore and its wholly owned subsidiaries and Keypoint and its wholly owned subsidiaries (collectively, the “Company”, “we”, “us”, or “our”), and are being presented as entities under common control. The combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All intercompany balances and transactions have been eliminated in consolidation and combination. All financial information presented in the financial statements and notes herein is presented in thousands.

The combined financial statements do not necessarily represent the results of the Company had it been operating as one entity during the periods presented in these financial statements. In most instances throughout the accompanying notes to these financial statements, financial results are combined, unless it is more meaningful to disclose Vencore and Keypoint separately.

The fiscal year of the Company ends on December 31 of each calendar year. Vencore’s fiscal quarters end on the last Friday of March, June and September. Keypoint’s fiscal quarters end on the last day of March, June and September.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. These estimates are based on management’s best knowledge of historical experience, current events and various other assumptions that management considers reasonable under the circumstances. Actual results could differ from those estimates. Areas of the financial statements where estimates may have the most significant effect include, but are not limited to, unbilled receivables, inputs used for computing pension and post-retirement related liabilities, estimates to complete for customer contracts, estimated returns, accrued liabilities and expenses, estimated useful lives of identified intangible assets, depreciation and amortization, allowance for doubtful accounts, evaluation of goodwill and other assets for impairment, valuation of Class B/B-1 membership interests, valuation of contingent consideration and incurred but not reported expenses for self-insurance.

Revenue Recognition

Substantially all of the Company’s revenue is derived from contracts with the U.S. Government. The Company generates its revenue from the following types of contractual arrangements: cost-reimbursable contracts, fixed-price contracts or time-and-materials contracts.

Revenue on cost-reimbursable contracts is recognized as services are performed generally based on the allowable costs incurred during the period plus any recognizable earned fee. The Company considers fixed fees under cost-reimbursable contracts to be earned in proportion to the allowable costs incurred in performance of the contract. For cost-reimbursable contracts that include performance-based fee incentives, which are principally award fee arrangements, the Company recognizes income when such fees are probable and estimable, and the fees are recognized throughout the term of the contract in proportion to the allowable costs incurred. Estimates of the total fee to be earned are made based on contract provisions, prior experience with similar contracts or

customers and management's evaluation of the Company's performance on such contracts. Contract costs, including indirect expenses, are subject to audit by the Defense Contract Audit Agency and, accordingly, are subject to possible cost disallowances. The Company records contract reserves against open indirect cost audits and re-measures the liability on a quarterly basis.

Revenue on fixed-price contracts is primarily recognized using the percentage-of-completion method based on actual costs incurred relative to total estimated costs for the contracts, which are recorded using the cost-to-cost method. These estimated costs are updated during the term of the contract and may result in revision by the Company of recognized revenue and estimated costs in the period in which the changes in the estimated costs are identified. Profits on fixed-price contracts result from the difference between incurred costs used to calculate the percentage of completion and revenue earned.

Revenue earned under time-and-materials contracts is recognized as hours are worked based on contractually billable rates to the client. Costs on time-and-materials contracts are expensed as incurred.

Contract accounting requires significant judgment relative to assessing risks, estimating contract revenue and costs and assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, developing total revenue and costs at completion estimates requires the use of significant judgment. Contract costs include direct labor and billable expenses, other direct costs, as well as allocations of allowable indirect costs. Billable expenses are comprised of subcontracting cost and other "out-of-pocket" costs that often include, but are not limited to, travel-related costs and other charges. The Company recognizes revenue and billable expenses from these transactions on a gross basis because it is the primary obligor on its contracts with customers. Provisions for estimated losses at completion, if any, are recognized in the period in which the loss becomes evident. The provisions include estimated costs in excess of estimated revenue and any profit margin previously recognized.

Significant estimate-at-completion ("EAC") adjustments on a single contract could have a material effect on the Company's combined financial position or annual results of operations. We review and update our contract-related estimates regularly. When adjustments in estimated contract revenues or estimated costs at completion are required on contracts, any changes from prior estimates are recognized as an inception-to-date adjustment in the period in which the facts necessitating the revision become known with the exception of contracts acquired through acquisition, where the adjustment is made for the period commencing from the date of acquisition. Changes in these estimates can occur over the contract performance period for a variety of reasons, including changes in contract scope, contract cost estimates and estimated incentive or award fees. The net impact of adjustments in contract estimates on our income from operations and net income totaled \$1.5 million, \$2.0 million and \$1.4 million for the years ended December 31, 2015, 2016 and 2017, respectively.

Revenue on fixed unit price contracts, where specified units of output under service arrangements are delivered, is recognized when realized or realizable and earned, as units are delivered based on the specified price per unit. Delivery is represented by the final submission of the completed case (a "case" being defined as the total amount of work required to complete the background investigation as requested by the customer) in accordance with the contract. The Company considers the case to be the unit of account.

The Company has entered into fixed-unit price contracts with a large customer, for which the revenues from the services provided under these contracts are recognized upon case completion. In order to recognize revenue only for completed cases, management first records revenue for all cases when the case reaches the "fieldwork finished" ("FF") status. FF is the point where the Company believes it has performed all the necessary work, the report is delivered to the customer and the case is complete. This is also the point when revenue is fully recognized if no further re-work is required. There are situations whereby the customer requests rework on some of the cases subsequent to FF, in which case management records an adjustment at month end, based on an estimate of the percentage of cases that may be re-opened for rework or may perform additional steps upon requests by the customer ("re-work provision"). Historically, that estimate has averaged at approximately 18%

and was reported as case rework provision and presented as contra revenue and a corresponding contra receivable in the accompanying combined financial statements. The revenue related to the re-worked cases is recognized when the rework is completed.

Management records revenue at 100% for the case at FF status and as required by the contract terms, bills only 90% of the revenue at that time, while the remaining 10% is billed when the case is marked completed by the customer. This 10% holdback is recognized as an unbilled receivable until it is transferred to billed receivable when the case is deemed completed by the customer.

For the year ended December 31, 2015, the Company had a contract with National Aeronautics and Space Administration (“NASA”) and a contract with Office of Personnel Management (“OPM”), representing approximately 11% and 16%, respectively of total revenue. For the year ended December 31, 2016, the Company had a contract with NASA and a contract with OPM, representing approximately 12% and 16%, respectively of total revenue. For the year ended December 31, 2017, the Company had a contract with NASA and a contract with OPM, representing approximately 10% and 16%, respectively of total revenue.

Cash

Cash includes cash on hand which is maintained in bank accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. As of December 31, 2017, the Company maintained \$10 million in money market funds. The investment in money market funds has an immediate liquidity feature.

Restricted Cash

The Company had a letter of credit outstanding as of December 31, 2016 and 2017 from its revolving credit facility to provide credit support for certain insurance policies in the event of default.

Concentration of Credit Risk

Financial instruments that are concentrations of credit risk consist principally of trade receivables. The risk related to trade receivables is mitigated by having contracts with departments and agencies of the U.S. Government and state and local governments. We do not generally require collateral or other security to support trade receivables. We do not have any off-balance sheet credit exposure related to our trade receivables. As of December 31, 2016 and 2017, over 97% of our accounts receivable were with agents, agencies and departments of the U.S. Government.

Receivables

Receivables include amounts billed and currently due from customers, as well as amounts currently due but unbilled. The Company maintains allowances for doubtful accounts against certain receivables based upon the latest information regarding whether invoices are ultimately collectible. Assessing the collectability of customer receivables requires management judgment. The Company serves the U.S. Government and state and local governments. The Company determines its allowance for doubtful accounts by specifically analyzing individual accounts receivable, historical bad debts, current economic conditions and accounts receivable aging trends. Upon determination that a receivable is uncollectible, the receivable balance and any associated reserve are written off. Pursuant to contract provisions, U.S. Government agencies and certain other customers have title to, or a security interest in, assets related to such contracts as a result of advances, performance-based payments and progress payments. We reflect those advances and payments as billings in excess of costs incurred for contracts that we account for on a percentage-of-completion basis using the cost-to-cost method to measure progress towards completion.

Long-term unbilled receivables related to retainage, holdbacks and long-term rate settlements to be billed at contract closeout are included within accounts receivable, net in the accompanying combined balance sheets.

Property and Equipment

Property and equipment are recorded at cost, and the balances are presented net of accumulated depreciation. The cost of software purchased or internally developed is capitalized, as appropriate.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Furniture and fixtures are depreciated over 7 to 10 years, computer equipment is depreciated over 3 to 5 years, machinery and equipment is depreciated over 3 to 5 years, and software purchased or developed for internal use is depreciated over 3 to 5 years. Leasehold improvements are amortized over the shorter of the remaining lease term or the useful life of the improvements. Repairs and maintenance costs are expensed as incurred.

Leases

Rent expense is recorded on a straight-line basis over the life of the applicable lease. The difference between the cash payment and rent expense is recorded as deferred rent in either other current liabilities or other long-term liabilities in the combined balance sheets, depending on when the amounts will be recognized.

Intangible Assets

Intangible assets represent assets acquired as part of the Company's business acquisitions and include customer contractual relationships, backlog, technology, favorable leasehold interests, non-compete agreements, internal software, trademarks and trade names. Finite-lived intangible assets are amortized on a straight-line basis over the expected useful life. Customer relationships are amortized over 8 to 24 years and technology is amortized over 7 to 10 years. Backlog is amortized over 16 years, non-compete agreements are amortized over 5 years, and leasehold interests are amortized over the shorter of the useful life of the asset or the lease term. Trademarks are amortized over the remaining legal life of the trademark if the Company does not intend to renew the trademark. Trademarks are defined as indefinite-lived assets if the Company intends to continuously renew the trademark. Indefinite-lived trademarks and trade names are not amortized, but are tested for impairment on at least an annual basis and more frequently if interim indicators of impairment exist. The trade name is considered to be impaired if the carrying value exceeds its estimated fair value. The Company uses the relief from royalty method to estimate the fair value. The fair value of the asset is the present value of the license fees avoided by owning the asset, or the royalty savings.

The Company no longer has any indefinite-lived intangible assets with remaining book value other than goodwill as of December 31, 2016 and December 31, 2017.

Goodwill

The Company records goodwill when the purchase price of a business acquisition exceeds the estimated fair value of net identified tangible and intangible assets acquired and liabilities assumed. Keypoint and Vencore evaluate goodwill at least annually on September 30 and October 31, respectively for impairment, or whenever events or circumstances indicate that the carrying value of goodwill may not be fully recoverable. Goodwill is considered to be impaired when the net book value of a reporting unit exceeds its estimated fair value. During the years ended December 31, 2015, 2016 and 2017, the Company did not record any impairment of goodwill.

Impairment of Long-lived Assets

The Company reviews its long-lived assets, including property and equipment and amortizable intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amounts of the

assets may not be fully recoverable. If the total of the expected undiscounted future net cash flows is less than the carrying amount of the asset, a loss is recognized for any excess of the carrying amount over the fair value of the asset.

Self-Insurance Liability

The Company maintains self-funded medical insurance. Self-funded plans include health benefits and also prescription drug and dental benefits. The Company records an incurred but unreported claim liability for self-funded plans based on an actuarial valuation within other current liabilities. The estimate of the incurred but unreported claim liability is provided by a third party valuation firm, primarily based on claims and participant data for the medical, dental, and pharmacy related costs.

Defined Benefit Plan and Other Postretirement Benefits

The Company recognizes the underfunded status of defined benefit plans on the combined balance sheets within accrued pension and other post retirement liabilities, net of current portion and other current liabilities. The Company recognizes the overfunded status of defined benefit plans on the consolidated balance sheets within other long term assets. Gains and losses and prior service costs and credits that have not yet been recognized through net periodic benefit cost are recognized in accumulated other comprehensive income (loss), net of tax effects, and will be amortized as a component of net periodic cost in future periods. The measurement date, the date at which the benefit obligations are measured, is the Company's fiscal year-end.

Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, we consider the principal or most advantageous market in which the asset or liability would transact, and if necessary, consider assumptions that market participants would use when pricing the asset or liability.

The accounting standard established a fair value hierarchy that prioritizes the inputs used in measuring fair value as follows: observable inputs such as quoted prices in active markets (Level 1); inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2); and unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions (Level 3). Assets and liabilities are classified in their entirety within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement. See "Note 17—Fair Value Measurements" for additional information on the Company's fair value measurements.

Share-based Compensation

Vencore measures and recognizes share-based compensation expense for all share-based awards made to employees and directors using fair value methods over the requisite service period. The fair value of total equity is determined using the income approach, specifically the discounted cash flow method, and the market approach, specifically the guideline public company method. Equity allocation among Vencore's various classes of equity is determined based on the option-pricing method. The fair value indications are adjusted to reflect the rights of the holder.

Vencore records the expense associated with these awards on a straight-line basis over the five-year vesting period with a corresponding liability. The awards are re-measured each reporting period with the resulting increase or decrease to compensation expense and liability based on the pro rata portion of the fair value on the balance sheet date. In the case of modifications of awards, additional share-based compensation expense is based on the excess, if any, of the fair value of the modified award over the fair value of the original award immediately before its terms are modified. Share-based compensation expense is classified as general and administrative expenses consistent with other compensation expense associated with the award recipient. See "Note 21—Share-based Compensation" and "Note 17—Fair Value Measurements" for further details.

Keypoint has not recognized any compensation costs related to its incentive bonus awards issued to management of Keypoint as they are subject to performance conditions based on events that results in change in control, in which case compensation cost will be recognized over the requisite service period only if the events are probable of occurring. Keypoint has consistently followed the definition of “probable” as defined in ASC 718, relating to the change in control provisions and deemed that it is not probable of the event to occur.

Costs of Revenue

Costs of revenue consist of direct labor and associated fringe benefits, indirect overhead, subcontractor costs, travel expenses and other expenses incurred to perform on contracts.

General and administrative expenses

General and administrative expenses include the salaries and wages and fringe benefits of our employees not performing work directly for customers. Among the functions covered by these costs are business development, IT services, finance and accounting, legal, executive management, human resources and recruiting.

Deferred Costs

Deferred Direct Costs

Directly attributable costs for certain contracts where revenue is determined on a completed performance model are deferred until the final submission is done and revenue is recognized. Periodic reviews are performed to ensure such deferred costs are fully realizable.

Deferred Indirect Costs

Included in the combined balance sheets are certain costs related to the performance of our U.S. Government contracts which are required to be recorded under U.S. GAAP but are not currently allocable to contracts. Such restructuring costs represent activities across Vencore including elimination of redundant employees, capabilities and certain leased and owned facilities. Restructuring costs include severance and abandoned leases costs. At December 31, 2016 and 2017, deferred contract costs were approximately \$14.4 million and \$9.4 million, respectively. These costs are allocated to contracts when they are billable as agreed upon by the Defense Contract Management Agency and amortized by the Company over a 3 to 5 year period. We regularly assess the probability of recovery of these costs. This assessment requires us to make assumptions about the extent of cost recovery under our contracts and the amount of future contract activity. If the level of backlog in the future does not support the continued deferral of these costs, the profitability of our remaining contracts could be adversely affected.

Income Taxes

We account for income taxes in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) Topic 740, *Income Taxes*, under which an asset and liability approach is used for the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, including net operating loss carryforwards.

Deferred tax assets and liabilities are recognized for the estimated future tax consequences of temporary differences. Temporary differences are primarily the result of the differences between the tax bases of assets and liabilities and their financial reporting amounts. Deferred tax assets and liabilities are measured using enacted statutory tax rates applicable to the future years in which the deferred amounts are expected to be settled or realized. The effect of a change in tax rates is recognized in the provision for income tax in the period the change in rates is enacted.

A valuation allowance is recorded against deferred tax assets when it is more likely than not that a tax benefit will not be realized. The assessment for a valuation allowance requires judgment on the part of the Company with respect to the benefits that may be realized.

Any interest or penalties incurred in connection with income taxes are recorded as part of income tax expense for financial reporting purposes.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. The Company is currently involved in various claims and legal proceedings, but does not believe the loss contingencies are probable or estimable and therefore has not accrued for them.

Comprehensive Income (loss)

Comprehensive income (loss) is the change in equity of a business enterprise during a period resulting from transactions and other events and circumstances from non-owner sources. Comprehensive income (loss) consists of net income (loss); actuarial gain (loss) on post-retirement plans, net of tax; reclassifications from accumulated other comprehensive income (loss), net of tax from post-retirement plans; net changes in available-for-sale securities; and reclassifications from accumulated other comprehensive income (loss), net of tax from available-for-sale securities.

Variable Interest Entities

ASC Topic 810, *Consolidation* (“ASC Topic 810”) requires the consolidation of entities that are controlled by a company through interests other than voting interests. Entities that do not have sufficient equity at risk to allow the entity to finance its activities without additional financial support or in which the equity investors, as a group, do not have the characteristic of a controlling financial interest are referred to as variable interest entities (“VIE”). A VIE is consolidated by the variable interest holder that is determined to have the controlling financial interest (primary beneficiary) as a result of having both the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance and the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. The Company determines whether it is the primary beneficiary of an entity subject to consolidation based on a qualitative assessment of the VIE’s capital structure, contractual terms, nature of the VIE’s operations and purpose, and the Company’s relative exposure to the related risks of the VIE on the date it becomes initially involved in the VIE. The Company reassesses its VIE determination with respect to an entity on an ongoing basis.

On February 17, 2017, Vencore entered into a joint venture agreement with Havas Health, Inc. (“Havas”), a global communications company operating in over 50 countries focused on health and wellness communication and cross stakeholder strategy. The companies have joined together to form HVH Precision Analytics LLC (“HVH”). The joint venture will leverage sophisticated analytics and predictive modeling with deep therapeutic area expertise to provide unique data and insights into the niche rare disease market.

Upon formation, Vencore contributed \$0.5 million in cash and \$3.0 million in non-financial assets that were measured for fair value on the contribution date, including: (i) intellectual property, (ii) inventions, (iii) trademarks and trade secrets, (iv) information technology assets and (v) customer relationships and agreements. In exchange for these contributions, Vencore received 1,000,000 of HVH’s Class A Units, or 50% of HVH’s equity interest. The cash portion of the Company’s contribution into the formation of HVH is reported as part of investing activities in the combined statements of cash flows.

The fair value of the assets contributed to HVH are categorized as Level 3 within the fair value hierarchy as certain unobservable inputs were used in determining the fair value of the assets. Vencore used a market approach in determining the fair value of the assets. Upon formation, Havas contributed \$3.5 million in exchange for 50% of HVH's equity interest. We believe this represents the exit price at measurement date for 50% of the joint venture from the perspective of a market participant in an arms-length transaction. The assets contributed by Vencore are largely comprised of a technology asset which is utilized by HVH. This technology asset represents an unobservable input as there is no open market readily available in which the value of the assets can be observed. Based on the contribution made by Havas for 50% of HVH's equity interest, Vencore believes the fair value of the assets to be \$3 million. The measurement of the fair value of the contributed assets is considered to be nonrecurring so additional measurements are not conducted in following periods. There is also no difference between the highest and best use of the technology assets and the manner in which the assets are currently used by HVH as HVH was created by Vencore and Havas for the purposes of conducting analytics and modeling to provide data and insights into a niche market by utilizing the assets and cash contributed by both Vencore and Havas.

In accordance with ASC Topic 810, we identified HVH as a VIE because HVH, upon formation, has insufficient equity investment at risk and its equity investment holders at risk lack the ability, through voting or similar rights, to direct the activities that most significantly impact HVH's economic performance. Additionally, we evaluated our variable interests in HVH and concluded that the Company is not the primary beneficiary and therefore should not consolidate HVH as we do not hold the power to direct the activities that most significantly impact HVH's economic performance nor do we have the obligation to absorb the majority of the losses or the right to receive the majority of the benefits of the VIE. Vencore has not identified any subsequent changes to HVH's governing documents or contractual arrangements that would change the characteristics or adequacy of the entity's equity investment at risk in accordance with ASC Topic 810.

Vencore accounted for its investment in HVH in accordance with ASC Topic 810 and recorded a gain of \$3.0 million in the first quarter of 2017, representing the fair value of contributed assets. Vencore subsequently accounts for its share of earnings or losses using the equity method of accounting in accordance with ASC 323, *Investments—Equity method and joint ventures*. The investment balance for HVH is included in "Other long-term assets" on the Company's combined balance sheet. The Company's investment related to this VIE totaled \$2.2 million as of December 31, 2017, representing the Company's maximum exposure to loss. Under the equity method, Vencore recognizes its share of earnings or losses of HVH in the periods for which they are reported by HVH in its financial statements.

Vencore applies the cumulative earnings approach and classifies cash inflows and outflows as operating activities unless Vencore's cumulative distributions exceed cumulative equity in earnings recognized by Vencore (as adjusted for amortization of basis differences). When such an excess occurs, the current-period distribution up to this excess is considered a return of investment and is classified as cash inflows from investing activities.

The Company considers whether the value of any of its equity method investments has been impaired whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. If the Company considered any such decline to be other than temporary (based on various factors, including historical financial results, product development activities and the overall health of the affiliate's industry), an impairment loss would be recorded.

Recently Issued Accounting Pronouncements

On May 1, 2015, the FASB issued ASU 2015-07, *Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (a consensus of the FASB Emerging Issues Task Force) ("ASU 2015-07"). Under the amendments in this ASU, investments for which fair value is measured at net asset value ("NAV") per share (or its equivalent) using the practical expedient should not be categorized in the fair value hierarchy. Removing those investments from the fair value hierarchy not only eliminates the diversity in

practice resulting from the way in which investments measured at net asset value per share (or its equivalent) with future redemption dates are classified, but also ensures that all investments categorized in the fair value hierarchy are classified using a consistent approach. The amendments in ASU 2015-07 are effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption permitted. A reporting entity should apply the amendments retrospectively to all periods presented. The retrospective approach requires that an investment for which fair value is measured using the NAV per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity's financial statements. The Company has adopted ASU 2015-07 for the year ended December 31, 2016 and has applied this guidance with respect to the Company's deferred compensation plan assets discussed in "Note 19—Postretirement Plans." As a result of adopting this ASU, investments totaling \$273 million and \$303 million were reclassified from fair value hierarchy to NAV at December 31, 2016 and 2017, respectively.

The Company has elected to early adopt ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)*, issued by the FASB on August 26, 2016 ("ASU 2016-15"). This ASU addresses the following eight specific cash flow issues: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The amendments in this ASU apply to all entities, including both business entities and not-for-profit entities that are required to present a statement of cash flows under Topic 230. Effective January 1, 2016, the Company has adopted the provisions of ASU 2016-15 retrospectively by classifying debt extinguishment costs of \$1.8 million as financing activities for the year ended December 31, 2016; reclassifying a contingent consideration payment of \$9.6 million made in June 2015 from investing to a cash outflow for operating activities of \$5.0 million and a cash outflow for financing activities of \$4.6 million for the year ended December 31, 2015; and reclassifying activity related to corporate-owned life insurance between operating activities and investing activities for the year ended December 31, 2015.

Standards Issued But Not Yet Effective

The following ASUs were recently issued but have not yet been adopted:

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefit (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* ("ASU 2017-07"), which will change the presentation of net periodic benefit cost related to employer sponsored defined benefit plans and other postretirement benefits. Service cost will be included within the same income statement line item as other compensation costs arising from services rendered during the period, while other components of net periodic benefit pension cost will be presented separately outside of operating income. Additionally, only service costs may be capitalized in assets. ASU 2017-07 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We will adopt the requirements of ASU No. 2017-07 on January 1, 2019 using retrospective income statement presentation and prospective balance sheet presentation. We do not expect the adoption of ASU No. 2017-07 to result in a material impact to our combined operating profit and net income for 2016 and 2017.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). ASU 2014-09 will eliminate transaction- and industry-specific revenue recognition guidance under current U.S. GAAP and replace it with a principle-based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and

changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017 and interim periods therein, with early adoption permitted for interim and annual reporting periods beginning after December 15, 2016. ASU 2014-09 may be adopted either retrospectively or on a modified retrospective basis whereby ASU 2014-09 would be applied to new contracts and existing contracts with remaining performance obligations as of the effective date, with a cumulative catch-up adjustment recorded to beginning retained earnings at the effective date for existing contracts with remaining performance obligations.

In 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, and ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedient* to provide supplemental adoption guidance and clarification to ASU 2014-09. The effective date for these new standards and transition requirements are the same as the effective date and transition requirements for ASU 2014-09.

In December 2016, the FASB issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, which allows entities not to make quantitative disclosures about remaining performance obligations in certain cases and require entities that use any of the new or previously existing optional exemptions to expand their qualitative disclosure. The effective date for these new standards and transition requirements are the same as the effective date and transition requirements for ASU 2014-09.

Management is in the process of reviewing the Company's revenue contracts and is performing an assessment of the potential effects of the standard on the Company's combined financial statements and disclosures, accounting policies and internal controls over financial reporting. We developed a detailed implementation plan, which included, among other things, an update to our policies, development of disclosures, updates to our controls and application of the guidance across our contract population. We are still assessing the qualitative and quantitative impacts to our combined financial statements as well as a transition method. Management plans to adopt the new standard effective January 1, 2019.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). The pronouncement requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. These changes become effective for the Company's fiscal year beginning January 1, 2018. The adoption of ASU 2016-01 is being evaluated by the Company and the adoption is not expected to have a significant impact on the Company's combined financial position or results of operations.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02") that provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires a lessee to recognize assets and liabilities on the balance sheet for operating leases and changes many key definitions, including the definition of a lease. ASU 2016-02 includes a short-term lease exception for leases with a term of 12 months or less, in which a lessee can make an accounting policy election not to recognize lease assets and lease liabilities. Lessees will continue to differentiate between finance leases (previously referred to as capital leases) and operating leases, using classification criteria that are substantially similar to the previous guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, with earlier application permitted. The Company is currently evaluating the effect of the standard on its combined financial statements and related disclosures. Vencore will adopt this standard using a modified retrospective method.

On January 26, 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”), which simplifies the manner in which an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. In computing the implied fair value of goodwill under Step 2, an entity, prior to the amendments in ASU 2017-04, had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities, including unrecognized assets and liabilities, in accordance with the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. However, under the amendments in this ASU, an entity should (1) perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and (2) recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, with the understanding that the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, ASU 2017-04 removes the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails such qualitative test, to perform Step 2 of the goodwill impairment test. Finally, this ASU amends the Overview and Background sections of the Accounting Standards Codification as part of the FASB’s initiative to unify and improve such sections across Topics and Subtopics. Public entities are required to prospectively adopt the standard for their annual, or any interim, goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for all entities for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We adopted this standard in the fourth quarter of 2017 in conjunction with our annual goodwill impairment evaluation process.

3. Business Combination

On May 23, 2014, Vencore acquired QNA SSG through the purchase of 100% of the outstanding capital stock of QinetiQ North America, Inc. The acquisition was accounted for under ASC Topic 805. Under ASC Topic 805 the assets and liabilities acquired were recorded at fair value. A valuation of the identifiable assets and liabilities acquired was performed and a purchase price allocation resulted in new identifiable intangible assets. The excess of the purchase price over assets acquired and liabilities assumed was allocated to goodwill. Total purchase price consideration recorded in 2014 was \$159.0 million.

As part of the total consideration, Vencore agreed to pay contingent consideration of up to \$50.0 million in cash depending on QNA SSG’s financial performance between April 1, 2014 and March 31, 2015. Upon the effective date of the acquisition, management determined the fair value of contingent consideration to be \$4.6 million. On a quarterly basis thereafter, Vencore re-measured the liability and recorded an additional amount, representing a change in estimate, which totaled \$12.9 million for the year ended December 31, 2014. In the second quarter of 2015, Vencore settled and paid contingent consideration to the seller in the amount of \$9.6 million and recorded a gain of \$7.9 million, which is reflected in the combined statements of operations for the year ended December 31, 2015.

4. Lease Abandonment Liability

The Company accounted for the lease abandonment liability in accordance with ASC Topic 420 *Exit or Disposal Costs* and reflected the change in the statement of operations. The terms of the operating leases extend through 2023.

On a monthly basis as payments toward the leases are made, the liability is released, which resulted in a \$7.0 million and \$4.3 million reduction of the liability balance for the year ended December 31, 2016 and 2017, respectively. Vencore also recorded a change in estimate of the lease abandonment liability during 2016 and 2017 in the amount of \$1.6 million and \$0.8 million respectively, due to changes in sublease expectations.

Changes in the lease abandonment liability are as follows (in thousands):

Accrual balance at December 31, 2015	<u>\$18,928</u>
Non-cash activities	(1,598)
Lease payments in liability	<u>(7,002)</u>
Accrual balance at December 31, 2016	<u>\$10,328</u>
Non-cash activities	(834)
Lease payments in liability	<u>(4,344)</u>
Accrual balance as of December 31, 2017	<u>\$ 5,150</u>

Of the total \$10.3 million and \$5.2 million, as of December 31, 2016 and 2017, respectively, \$4.4 million and \$1.9 million, respectively, are included within other current liabilities (“Note 11—Other Current Liabilities”), and \$5.9 million and \$3.3 million, respectively, are included within other long-term liabilities (“Note 12—Other Long-term Liabilities”).

5. Deferred Costs

Deferred Indirect Costs

In prior years Vencore faced program consolidations, delayed contract awards, potential sequestration effects and significant reduction in customers’ budgets. Additionally, as a result of the QNA SSG acquisition, Vencore continued its restructuring initiatives. Restructuring activities across Vencore included elimination of redundant employees, capabilities and certain leased and owned facilities. Specifically, these initiatives included internal facility restructurings, continuation and expansion of the employee termination and realignments, and IT and other internal systems consolidations. As part of a facility consolidation project, Vencore sold a building at Vencore Valley Forge, Pennsylvania. Vencore had also previously exited leases due to the consolidation of heritage acquisition facilities in 2013. The consolidation of leases from prior acquisitions was completed by December 31, 2014. These restructuring costs are deferred and allocated to contracts when they are billable as agreed upon by the Defense Contract Management Agency and amortized by Vencore on a 3 to 5 year period.

Changes in the asset are as follows (in thousands):

Balance at December 31, 2014	<u>\$11,159</u>
Add: Severance and related costs	4,614
Add: Write-off of a building (a)	4,208
Add: Professional and other fees	2,399
Less: Costs released to contracts	<u>(2,854)</u>
Balance at December 31, 2015	<u>\$19,526</u>
Add: Severance and related costs	1,187
Add: Professional and other fees	175
Less: Costs released to contracts	<u>(6,493)</u>
Balance at December 31, 2016	<u>\$14,395</u>
Add: Severance and related costs	167
Less: Costs released to contracts	<u>(5,143)</u>
Balance at December 31, 2017	<u>\$ 9,419</u>

(a) Represents the write-off of a building that was captured in deferred contract costs.

Of the total \$14.4 million and \$9.4 million, as of December 31, 2016 and 2017, respectively, \$5.1 million and \$4.8 million, respectively, are included within deferred costs in our combined balance sheets, and

\$9.3 million and \$4.6 million, respectively, are included within other long-term assets on the combined balance sheets (“Note 8—Other Long-term Assets”).

Changes in the related liability are as follows (in thousands):

	Severance and Related Costs	Professional and Other Fees	Total
Balance as of December 31, 2014	\$ 3,250	\$ 47	\$ 3,297
Additions	4,614	2,399	7,013
Cash payments	(7,298)	(2,432)	(9,730)
Balance as of December 31, 2015	\$ 566	\$ 14	\$ 580
Additions	1,187	175	1,362
Cash payments	(1,753)	(189)	(1,942)
Balance as of December 31, 2016	\$ —	\$ —	\$ —
Additions	167	—	167
Cash payments	(167)	—	(167)
Balance as of December 31, 2017	\$ —	\$ —	\$ —

Deferred Direct Costs

Keypoint defers costs directly related to the production of cases that have been partially completed. Keypoint allocates a portion of total production costs in the month to cases that have been submitted as fieldwork finished and recognized as revenue and a portion to partially completed cases. The portion allocated to partially completed cases is deferred to be recognized in the period when the case is completed as fieldwork finished and related revenue is recognized.

Keypoint’s model for calculating deferred direct costs is as follows:

$$\frac{\text{Total cost of production (for any period)}}{\text{Total \# of SU's produced (in that period)}} = \text{Cost per SU} \times \frac{\text{Number of SU's on partially completed cases (in any period)}}{1} = \text{Deferred Direct Cost}$$

where SU represents the Source Unit, Keypoint’s measurement of the amount of work.

Changes in the asset are as follows (in thousands):

Balance at December 31, 2014	\$ 9,939
Add: Production costs	6,853
Less: Costs released to contracts	(646)
Balance at December 31, 2015	\$ 16,146
Add: Production costs	6,619
Less: Costs released to contracts	(6,181)
Balance at December 31, 2016	\$ 16,584
Add: Production costs	23,214
Less: Costs released to contracts	(20,309)
Balance at December 31, 2017	\$ 19,489

Total deferred direct costs of \$16.6 million and \$19.5 million, as of December 31, 2016 and 2017, respectively are included within deferred costs in our combined balance sheets.

6. Accounts Receivable

Accounts receivable, net consisted of the following components (in thousands):

	As of December 31,	
	2016	2017
Accounts receivable—billed	\$ 61,055	\$ 55,186
Accounts receivable—unbilled	110,443	129,488
Allowance for doubtful accounts	(4,961)	(4,337)
Accounts receivable—net	<u>\$166,537</u>	<u>\$180,337</u>

The changes in the Company's allowance for doubtful accounts as of December 31, 2015, 2016 and 2017 were as follows (in thousands):

Balance at December 31, 2015	<u>\$4,810</u>
Charged to costs and expenses	424
Deductions	<u>(273)</u>
Balance at December 31, 2016	<u>\$4,961</u>
Charged to costs and expenses	174
Deductions	<u>(798)</u>
Balance at December 31, 2017	<u>\$4,337</u>

Unbilled amounts represent revenues for which billings have not been presented to customers at period end. The Company includes in current accounts receivable certain unbilled amounts which may extend beyond one year. Long-term unbilled includes receivables related to retainage, holdbacks and long-term rate settlements to be billed at contract closeout of \$4.4 million and \$3.6 million as of December 31, 2016 and 2017, respectively.

As of December 31, 2016 and 2017, the Company had \$15.6 million and \$25.6 million, respectively, within accounts receivable related to projects with OPM.

7. Prepaid and Other Current Assets

Prepaid and other current assets consisted of the following components (in thousands):

	As of December 31,	
	2016	2017
Taxes receivable	\$ 6,382	\$ —
Prepaid insurance	1,294	231
Prepaid software	3,760	2,812
Prepaid rent	2,656	2,445
Prepaid advisory fee	2,417	2,417
Tax indemnification asset	—	2,100
Inventory	1,595	1,773
Other	968	1,208
	<u>\$19,072</u>	<u>\$12,986</u>

The tax indemnification asset has an offsetting liability recorded against the asset. Since the case was partially settled in 2017 with the expected final settlement within 12 months, the remaining tax indemnification asset was reclassified from other long-term to other current assets as of December 31, 2017. See “Note 16—Income Taxes” for a further description of the tax indemnification asset and liability.

8. Other Long-term Assets

Other long-term assets consisted of the following components (in thousands):

	<u>As of December 31,</u>	
	<u>2016</u>	<u>2017</u>
Deferred compensation and non-qualified savings plans	\$25,002	\$23,717
Non-qualified and qualified pension plans	2,751	8,629
Tax indemnification asset	14,011	—
Deferred indirect costs, net of current	9,252	4,644
Deferred tax asset	952	360
Security deposits	3,148	2,431
Investment in joint venture	—	2,237
Deferred revolver fees	622	980
Deferred rent subleases	1,029	952
Other	1,123	685
	<u>\$57,890</u>	<u>\$44,635</u>

Deferred compensation and non-qualified savings plans represent assets controlled by the Company to support the Company’s deferred compensation and non-qualified savings plans. These assets are classified as available-for-sale securities. The Company records unrealized gains and losses as a component of other comprehensive income (loss) within the statements of comprehensive income (loss) and as a separate component of stockholder’s equity. Realized gains or losses on available-for-sale securities are determined using the specific identification method and the Company includes net realized gains and losses in other income (expense) within the statements of operations. At each balance sheet date, the Company assesses available-for-sale securities in an unrealized loss position to determine whether the unrealized loss is other-than-temporary. The Company considers factors including the significance of the decline in value compared to the cost basis, underlying factors contributing to a decline in the prices of securities in a single asset class, the length of time during which the market value of the security has been less than its cost basis, the security’s relative performance versus its peers, sector or asset class, expected market volatility and the market and economy in general. The Company also evaluates whether it is more likely than not that it will be required to sell a security prior to recovery of its fair value. An impairment loss is recognized at the time the Company determines that a decline in the fair value below its cost basis is other than temporary. There were no unrealized losses at December 31, 2015, 2016 or 2017 that the Company determined to be other than temporary. The Company records the obligation associated with these plans in other long-term liabilities. Refer to “Note 12—Other Long-Term Liabilities.”

Non-qualified and qualified pension plans include the non-qualified defined benefit pension plan and the qualified retiree medical plan. For the year ended December 31, 2016, the retiree medical plan had a net liability and was reflected in the accrued pension and other post retirement liabilities section of our combined balance sheets. For the year ending December 31, 2017 the retiree medical plan had a net asset as compared to the net liability in 2016, which resulted in it being reflected as a long term asset. Refer to “Note 19—Postretirement Benefits” for further discussion on the retiree medical plan. The tax indemnification asset has an offsetting liability recorded against it in 2016. Refer to “Note 12—Other Long-Term Liabilities” and “Note 16—Income Taxes” for a further description of the tax indemnification asset and liability. Refer to “Note 5—Deferred Costs” for deferred indirect costs.

9. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following (in thousands):

	As of December 31,	
	2016	2017
Vendor payables	\$46,799	\$48,329
Accrued expenses	16,753	32,004
Total accounts payable and accrued expenses	<u>\$63,552</u>	<u>\$80,333</u>

Vendor payables consist of all invoices received but not yet paid by the Company. Accrued expenses include direct and indirect contract accruals.

10. Accrued Compensation and Benefits

Accrued compensation and benefits consisted of the following (in thousands):

	As of December 31,	
	2016	2017
Paid time off	\$30,421	\$28,956
Accrued payroll and payroll taxes	25,697	26,213
Incentive bonus plan	16,142	16,829
Share based compensation liability	6,600	10,216
Other	721	146
Total accrued compensation and benefits	<u>\$79,581</u>	<u>\$82,360</u>

The Company offers paid time off as a benefit to its employees, ranging from two to four weeks per year based on tenure. Accrued payroll and taxes reflect accruals for amounts to be paid in the next pay period. Share-based compensation liability awards are offered to certain executive officers; refer to “Note 21—Share-Based Compensation” for additional details. Incentive bonus plans are offered to certain members of management and are based upon the Company’s financial performance and individual performance.

11. Other Current Liabilities

Other current liabilities consisted of the following (in thousands):

	As of December 31,	
	2016	2017
Billings in excess of costs incurred	\$ 9,389	\$11,531
Lease abandonment	4,460	1,906
Self-insurance liability	2,988	2,398
Tax indemnification liability	—	2,100
Contract reserves	7,024	5,646
Accrued interest	1,255	3,562
Deferred rent	1,270	1,095
Management advisory fees	1,705	1,408
Interest rate swap	668	678
Taxes payable	—	1,820
Other	3,759	5,293
	<u>\$32,518</u>	<u>\$37,437</u>

Billings in excess of costs incurred are advanced payments received by the Company for contracts that we account for on a percentage-of-completion basis, contracts that include customer acceptance provisions, and for indirect rate variances. Contract reserves include reserves related to specific contracts and reserves against open indirect cost audits. Self-insurance liability includes health benefits and also prescription drug and dental benefits. The Company records an incurred but unreported claim liability for self-funded plans based on an actuarial valuation. The tax indemnification liability has a corresponding offsetting asset recorded against it. Refer to footnote “Note 7—Prepaid and other current assets”. Since the case was partially settled in 2017 with the expected final settlement within 12 months, the remaining tax indemnification liability was reclassified from other long-term to other current liabilities as of December 31, 2017. Refer to footnote “Note 16—Income taxes” for further discussion on the tax indemnification liability and asset.

12. Other Long-term Liabilities

Other long-term liabilities consisted of the following (in thousands):

	<u>As of December 31,</u>	
	<u>2016</u>	<u>2017</u>
Deferred income tax liability	\$30,067	\$13,793
Deferred compensation and non-qualified savings plans	21,549	24,379
Tax indemnification liability	14,011	—
Deferred rent	9,539	9,447
Lease abandonment liability	5,867	3,244
Interest rate swap	1,316	59
Other	1,911	2,655
	<u>\$84,260</u>	<u>\$53,577</u>

The tax indemnification liability has an offsetting asset recorded against it. Most of the tax indemnification liability was released in the year ended December 31, 2017 with no impact to our statement of operations, and the remaining balance was reclassified to other current liabilities. Refer to “Note 11—Other current liabilities” and “Note 16—Income Taxes” for more details on the tax indemnification liability. Refer to “Note 18—Long-term Debt and Interest Rate Swap” for a discussion of the Company’s interest rate swap arrangements; “Note 4—Lease Abandonment Liability” for documentation on the Company’s various onerous leases; and “Note 16—Income Taxes” for the Company’s income tax and deferred tax liability disclosure. Refer to “Note 17—Fair Value Measurements” for documentation of the measurement of the fair value of deferred compensation plans and non-qualified savings plans.

13. Property, Equipment and Capitalized Software

Property, equipment and capitalized software consisted of the following components (in thousands):

	As of December 31,	
	2016	2017
Leasehold improvements	\$ 26,010	\$ 28,433
Computer equipment	24,809	31,147
Software	18,471	19,425
Furniture and fixtures	8,091	8,320
Machinery and equipment	2,625	2,625
Land	1,780	1,780
Other equipment	1,040	1,375
Construction in progress	4,204	5,347
Total	87,030	98,452
Less accumulated depreciation and amortization	(51,864)	(62,601)
Property, equipment, and capitalized software	<u>\$ 35,166</u>	<u>\$ 35,851</u>

Property and equipment are recorded at cost, and the balances are presented net of accumulated depreciation. The cost of software purchased or internally developed is capitalized, as appropriate.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred. Depreciation and amortization expense was \$10.8 million, \$11.4 million and \$11.5 million for the years ended December 31, 2015, 2016, and 2017 respectively.

14. Goodwill

The following table summarizes the changes in the carrying amount of goodwill as of December 31, 2015, 2016 and 2017 (in thousands).

	Total
Balance at December 31, 2014	<u>\$396,924</u>
Goodwill acquired	—
Balance at December 31, 2015	<u>\$396,924</u>
Goodwill acquired	—
Balance at December 31, 2016	<u>\$396,924</u>
Goodwill acquired	—
Balance at December 31, 2017	<u>\$396,924</u>
Goodwill	\$488,595
Accumulated impairment losses	(91,671)
Balance at December 31, 2016	<u>\$396,924</u>
Goodwill	\$488,595
Accumulated impairment losses	(91,671)
Balance at December 31, 2017	<u>\$396,924</u>

Vencore reviews goodwill for impairment annually as of October 31 and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill impairment review is

conducted at the reporting unit level. A reporting unit is an operating segment, as defined by the segment reporting accounting standards, or a component of an operating segment. A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and is reviewed by operating segment management. The fair value of each reporting unit is compared to its net book value, including goodwill. Goodwill is considered to be impaired when the net book value of a reporting unit exceeds its estimated fair value.

Vencore uses multiple valuation approaches to determine the fair value of the reporting units which includes (1) the income approach (also referred to as a discounted cash flow or “DCF”); and (2) the market approach. Both of these approaches are affected by economic conditions related to the U.S. defense industry as well as conditions in the U.S. capital markets. Under the income approach, the DCF method is a valuation technique in which fair value is derived from forecasted future cash flow discounted at the appropriate rate of return commensurate with the risk as well as current rates of return for equity and debt capital as of the valuation date. The discount rate utilizes an estimate of the weighted average cost of capital. The market approach is a valuation technique in which the fair value is calculated based on a detailed market analysis of publicly traded companies (also referred to as the guideline public company method or “GPCM”) that provides a reasonable basis for comparison for each reporting unit. In addition to utilizing the GPCM under the market approach, we also review and consider the application of guideline transaction multiples to the financial metrics for each reporting unit, if recent comparable transactions exist.

Inherent in our development of the present value of future cash flow projections are assumptions and estimates derived from a review of our expected revenue growth rates, profit margins, business plans, and cost of capital and tax rates. We also make assumptions about future market conditions, market prices, interest rates and changes in business strategies. Changes in our assumptions or estimates could materially affect the determination of the fair value of a reporting unit and, therefore, could eliminate the excess of fair value over the carrying value of a reporting unit entirely and, in some cases, could result in impairment. Such changes in assumptions could be caused by a loss of one or more significant contracts, reductions in government spending or a decline in the demand for our services due to changing economic conditions. Given the contractual nature of our business, if we are unable to win or renew contracts, are unable to estimate and control our contract costs, fail to perform adequately to our clients’ expectations, fail to procure third-party subcontractors or fail to secure adequate funding for our projects, our profits, revenue and growth over the long-term would decline, and such a decline could significantly affect the fair value assessment of the reporting units and cause our goodwill to become impaired. Impairment assessments inherently involve management judgments regarding a number of assumptions such as those described above. Due to the many variables inherent in the estimation of a reporting unit’s fair value and the relative size of our recorded goodwill, differences in assumptions could have a material effect on the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period. Using the income and market approaches, Vencore determined that the fair value of its goodwill exceeded the carrying value of the related assets. Therefore, no impairment was recorded for Vencore in 2016 or 2017.

Keypoint conducts its annual impairment test as of September 30. In evaluating goodwill, Keypoint performs an assessment of qualitative factors to determine if goodwill might be impaired and whether it is necessary to perform any additional goodwill impairment testing. Keypoint performed an impairment test for the years ended December 31, 2016 and 2017 utilizing qualitative information and determined there were no changes in circumstances that would more likely than not reduce the fair value below its carrying amount. Using this method, Keypoint determined that the fair value of its goodwill exceeded the carrying value of the related assets. Therefore, no impairment was recorded for Keypoint in 2016 or 2017.

15. Purchased Intangible Assets

Intangible assets consisted of the following (in thousands):

As of December 31, 2016			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Contracts/customer relationships	\$357,840	\$(123,305)	\$234,535
Backlog	25,300	(4,118)	21,182
Technology	24,900	(21,107)	3,793
Favorable leasehold interest	372	(179)	193
PhaseOne trademark	300	(290)	10
	<u>\$408,712</u>	<u>\$(148,999)</u>	<u>\$259,713</u>

As of December 31, 2017			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Contracts/customer relationships	\$357,840	\$(137,573)	220,267
Backlog	25,300	(5,698)	19,602
Technology	24,900	(24,235)	665
PhaseOne trademark	300	(300)	—
	<u>\$408,340</u>	<u>\$(167,806)</u>	<u>\$240,534</u>

The customer relationship (customer contract) intangible asset represents the fair value of future projected cash flows that are expected to be derived from sales of services to existing customers. The asset is primarily amortized over a period ranging from 8 to 24 years. The weighted average period of amortization for customer contracts and related customer relationships as of December 31, 2017 was 24 years, and the weighted-average remaining period of amortization was 17 years.

Backlog represents acquired backlog resulting from business combinations and includes the funded economic value of predominantly long term contracts, less the amount of revenue already recognized on those contracts. The asset is being amortized over a period of 16 years and the remaining period is 12 years.

The technology intangible asset represents a suite of technological capabilities and offerings that have been acquired throughout prior years in conjunction with business combinations and are used by customers in support of their missions. Technology is amortized straight-line over its estimated useful life of between 7 to 10 years. The weighted average period of amortization for acquired technologies as of December 31, 2017 was 7 years, and the weighted-average remaining period of amortization was 4 years.

Favorable leasehold interests with gross carrying value of \$0.4 million represent the step up evaluation of QNA SSG leases booked related to the acquisition. This asset was fully amortized and written off in 2017.

PhaseOne trademark is a renewable intangible asset that was amortized on a straight-line basis over five years.

Amortization expense for the years ended December 31, 2015, 2016 and 2017 was \$25.5 million, \$24.0 million and \$19.2 million, respectively. We estimate that we will have the following amortization expense for the future periods indicated below as of December 31, 2017 (in thousands):

2018	15,761
2019	14,985
2020	14,985
2021	14,985
2022	14,852
Thereafter	<u>164,966</u>
Total intangible assets, net	<u>\$240,534</u>

16. Income Taxes

The Company's (provision) benefit for income taxes consisted of the following components (in thousands):

	As of December 31,		
	2015	2016	2017
Current			
Federal	\$ (9,120)	\$ (3,257)	\$ (3,934)
State expense	<u>(1,833)</u>	<u>(1,130)</u>	<u>(1,416)</u>
Total current	(10,953)	(4,387)	(5,350)
Deferred			
Federal expenses	(9,097)	(18,278)	19,777
State expense	<u>(1,296)</u>	<u>(2,625)</u>	<u>(4,167)</u>
Total deferred	<u>(10,393)</u>	<u>(20,903)</u>	<u>15,610</u>
Total (provision) benefit for income taxes	<u>\$(21,346)</u>	<u>\$(25,290)</u>	<u>\$10,260</u>

Our reconciliation of the 35% U.S. federal statutory income tax rate to actual income tax expense is as follows (in thousands):

	As of December 31,		
	2015	2016	2017
U.S. statutory tax rate	35.0%	35.0%	35.0%
Equity based awards	3.2	(0.2)	7.3
Noncash income or gain	(6.2)	—	—
Valuation allowance	(15.6)	(10.3)	(450.1)
Amortization of intangible assets	27.5	27.0	70.7
State tax expense	2.5	3.1	7.4
Uncertain tax position interest	0.9	0.9	2.1
Acquisition costs	—	—	—
Contingent consideration	—	—	—
Tax Cuts and Jobs Act of 2017	—	—	266.1
Other	<u>0.8</u>	<u>0.7</u>	<u>2.7</u>
Effective tax rate	<u>48.1%</u>	<u>56.2%</u>	<u>(58.8)%</u>

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017. Under U.S. GAAP,

changes in tax rates and tax law are accounted for in the period of enactment and deferred tax assets and liabilities are measured at the enacted tax rate. The Company has calculated its best estimate of the impact of the Act in its year end income tax provision in accordance with its understanding of the Act and guidance available as of the date of this filing. The Company has recorded a provisional \$46.4 million of reduction in net deferred tax assets related to the remeasurement of deferred tax assets and liabilities based on the rates at which they are expected to reverse. The reduction in net deferred tax assets is mostly offset by valuation allowance, with the exception of the remeasurement of deferred tax liabilities related to indefinite-lived intangibles, which resulted in \$12.1 million of provisional deferred tax benefit. As part of estimating the impact of the Act the Company released a portion of its valuation allowance related to deferred tax liabilities that may be used as a source of future taxable income to realize the Company's other deferred tax assets, resulting in a provisional deferred tax benefit of \$16.5 million.

In accordance with SEC guidance, provisional amounts may be refined as a result of additional guidance from, and interpretations by, U.S. regulatory and standard-setting bodies, and changes in additional analysis. In the subsequent period, provisional amounts will be adjusted for the effects, if any, of interpretative guidance issued after December 31, 2017, by the U.S. Department of the Treasury. The effects of the 2017 Act may be subject to changes for items that were previously reported as provisional amounts, as well as any element of the 2017 Act that a provisional estimate could not be made, and such changes could be material.

The primary components of our federal and state deferred income tax assets and liabilities as of December 31, 2016 and 2017 were as follows (in thousands):

	As of December 31,	
	2016	2017
	Noncurrent	Noncurrent
Deferred tax assets related to:		
Postretirement benefit plans	\$ 31,476	\$ 26,355
Property, equipment and capitalized software	2,099	1,608
Amortization of intangible assets	24,299	11,192
Accrued expenses	21,975	12,321
Other liabilities	784	204
Net operating loss carryforwards	105,278	86,231
Deferred compensation	4,454	2,968
Acquisition transaction costs	453	1,349
Deferred financing costs	—	506
Other	452	220
Total	191,270	142,954
Valuation allowance	(180,584)	(119,419)
Deferred tax assets	10,686	23,535
Deferred tax liabilities related to:		
Goodwill and other intangible assets	(29,141)	(28,875)
Other current assets	(44)	(106)
Deferred financing costs	(798)	—
Accounts receivable	(3,881)	(3,510)
Deferred direct costs	(5,937)	(4,477)
Deferred tax liabilities	(39,801)	(36,968)
Net deferred tax assets and liabilities	\$ (29,115)	\$ (13,433)

The changes in the Company's valuation allowance as of December 31, 2015, 2016 and 2017 were as follows (in thousands):

Balance at December 31, 2014	<u>\$164,478</u>
Increases	<u>7,122</u>
Balance at December 31, 2015	<u>\$171,600</u>
Increases	<u>8,984</u>
Balance at December 31, 2016	<u>\$180,584</u>
Decreases	<u>(61,165)</u>
Balance at December 31, 2017	<u>\$119,419</u>

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income (including the reversals of deferred tax liabilities) during the periods in which those deferred tax assets will become deductible. We assess available positive and negative evidence regarding our ability to realize our deferred tax assets and record a valuation allowance when it is more likely than not that deferred tax assets will not be realized. To form a conclusion, management considers our recent financial results and trends and makes judgments and estimates related to projections of profitability, the timing and extent of the use of net operating loss carryforwards, and tax planning strategies. As of December 31, 2017, we were not in a three-year cumulative loss position for the first time in the Company's history. Management determined that a valuation allowance is still necessary, due to, among other things, the relatively low level of cumulative pre-tax income during this period and our history of operating losses, and declining pre-tax income in recent years. We will continue to evaluate future financial performance to determine whether such profitability is both sustainable and significant enough to provide sufficient evidence to support reversal of all or a portion of the valuation allowance. Any future release of valuation allowance may be recorded as a tax benefit increasing net income.

A valuation allowance in the amount of \$171.6 million, \$180.6 million and \$119.4 million has been recorded against the deferred tax assets as of December 31, 2015, 2016 and 2017, respectively.

The Company has deferred tax liabilities related to assets with indefinite useful lives, including goodwill and its trade name. The Company believes that the related temporary differences may partially be used as a source of taxable income to support the realization of deferred tax assets. Since the Tax Cuts and Jobs Act of 2017, eighty percent of deferred tax liabilities associated with indefinite-lived intangibles may be considered a source of future income, compared to zero percent prior to the change in law, reducing the valuation allowance in 2017. The valuation allowance recorded is an amount that results in a net deferred tax liability of \$25.6 million and \$10.2 million at December 31, 2016 and 2017, respectively.

As of December 31, 2016, the Company had federal and state net operating loss carryforwards of \$260.8 million and \$260.8 million, respectively. As of December 31, 2017, the Company has federal and state net operating loss carryforwards of \$321.6 million and \$321.6 million, respectively. These net operating loss carryforwards will begin to expire on December 31, 2030 (20 years after we began operations).

Vencore and its subsidiaries are included in the Vencore Holding Corp & Subsidiaries consolidated income tax returns in the U.S. federal jurisdiction, and various state jurisdictions. Keypoint and its subsidiaries are included in the KGS Holding Corp & Subsidiaries consolidated income tax returns in the U.S. federal jurisdiction, and various state jurisdictions. The Company is subject to federal income tax examination for all tax years, but it is not currently under exam. Various subsidiaries are currently under exam in various state and local jurisdictions.

As of December 31, and 2016 and 2017, the Company had an accrual of approximately \$14.0 million and \$2.1 million, respectively for tax exposures (including accrued interest), primarily relating to an adjustment by

the Internal Revenue Service relating to a compensation deduction taken in a prior tax return filed by Vencore Services and Solutions, Inc.'s former owner. The 2017 reduction is related to the former owner's settlement of the IRS position and the remaining amount is mostly related to the state tax effect of the federal adjustment. The total amount reserved is approximately \$2.1 million which is included in other current liabilities on the accompanying combined balance sheets. Interest expense related to the tax exposures amounted to \$0.4 million, \$0.4 million and \$0.4 million for the years ended December 31, 2015, 2016 and 2017, respectively. As of December 31, 2017, the Company had approximately \$0.6 million in accrued interest related to unrecognized tax benefits reflected in its combined balance sheet. In connection with the purchase agreement relating to the purchase of Vencore Services and Solutions, Inc., the Company is indemnified against the tax obligation relating to this matter. The Company has recognized a receivable of approximately \$2.1 million for the expected probable recovery under the purchase agreement, which is included in other receivables in the accompanying balance sheet.

Changes in unrecognized tax benefits were as follows (in thousands):

	Year Ended December 31,		
	2015	2016	2017
Unrecognized tax benefits beginning of year	\$13,180	\$13,585	\$ 14,011
Gross increases—tax positions in prior period	405	426	372
Gross decreases—tax positions in prior period			(12,282)
Unrecognized tax benefits end of year	\$13,585	\$14,011	\$ 2,101

17. Fair Value Measurements

The Company accounts for recurring and non-recurring fair value measurements in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC Topic 820"). ASC Topic 820 defines fair value, establishes a fair value hierarchy for assets and liabilities measured at fair value and requires expanded disclosures about fair value measurements. The ASC Topic 820 hierarchy ranks the quality of reliability of inputs, or assumptions, used in the determination of fair value and requires assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

Level 1—Fair value is determined by using unadjusted quoted prices that are available in active markets for identical assets and liabilities.

Level 2—Fair value is determined by using inputs other than Level 1 quoted prices that are directly or indirectly observable. Inputs can include quoted prices for similar assets and liabilities in active markets or quoted prices for identical assets and liabilities in inactive markets. Related inputs can also include those used in valuation or other pricing models, such as interest rates and yield curves that can be corroborated by observable market data.

Level 3—Fair value is determined by inputs that are unobservable and not corroborated by market data. Use of these inputs involves significant and subjective judgments to be made by a reporting entity—e.g., determining an appropriate adjustment to a discount factor for illiquidity associated with a given security. If a change in Level 3 inputs occurs, the resulting amount might result in a significantly higher or lower fair value measurement.

The Company evaluates financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level at which to classify them each reporting period. This determination requires the Company to make subjective judgments as to the significance of inputs used in determining fair value and where such inputs lie within the ASC Topic 820 hierarchy.

Financial assets and liabilities subject to fair value measurements were as follows (in thousands):

	As of December 31, 2016		
	Level 1	Level 2	Level 3
Assets			
Deferred compensation and nonqualified savings plan assets:			
Cash and cash equivalents	\$16,490	\$ —	\$ —
Fixed income mutual funds	8,512	—	—
Total assets	<u>\$25,002</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities			
Deferred compensation and nonqualified savings plan liabilities	\$21,549	\$ —	\$ —
Interest rate swap	—	1,984	—
Class B/B-1 membership interests	—	—	6,600
Total liabilities	<u>\$21,549</u>	<u>\$1,984</u>	<u>\$6,600</u>

	As of December 31, 2017		
	Level 1	Level 2	Level 3
Assets			
Deferred compensation and nonqualified savings plan assets:			
Cash and cash equivalents	\$14,331	\$—	\$ —
Fixed income mutual funds	9,386	—	—
Total assets	<u>\$23,717</u>	<u>\$—</u>	<u>\$ —</u>
Liabilities			
Deferred compensation and nonqualified savings plan liabilities	\$24,379	\$—	\$ —
Interest rate swap	—	737	—
Class B/B-1 membership interests	—	—	10,216
Total liabilities	<u>\$24,379</u>	<u>\$737</u>	<u>\$10,216</u>

The following table illustrates our Level 3 reconciliation:

	December 31, 2016 Fair Value Measurement Using Significant Unobservable Inputs (Level 3)			
	Balance as of January 1, 2016	Net changes in valuation	Transfers in/or out of level 3	Balance as of December 31, 2016
Class B/B 1 membership interest	\$6,819	\$(219)	\$—	\$6,600
	<u>\$6,819</u>	<u>\$(219)</u>	<u>\$—</u>	<u>\$6,600</u>
	December 31, 2017 Fair Value Measurement Using Significant Unobservable Inputs (Level 3)			
	Balance as of January 1, 2017	Net changes in valuation	Transfers in/or out of level 3	Balance as of December 31, 2017
Class B/B 1 membership interest	\$6,600	\$3,616	\$—	\$10,216
	<u>\$6,600</u>	<u>\$3,616</u>	<u>\$—</u>	<u>\$10,216</u>

The Company's Level 1 securities primarily consist of restricted cash and cash equivalents and fixed income mutual funds that support the Company's nonqualified defined benefit pension plan. All assets measured

at fair value represent investments classified as available-for-sale securities held in a separate trust to fund our deferred compensation and nonqualified savings plans and are recorded in other long-term assets on our combined balance sheets. The Company also has Level 1 deferred compensation and nonqualified savings plan liabilities. The Company determines the estimated fair value for its Level 1 securities using quoted (unadjusted) prices for identical assets or liabilities in active markets.

Level 2 interest rate swaps are fair valued based on quoted market prices for similar instruments and then adjusted to account for the Company's nonperforming risk in accordance with ASC Topic 820.

The Company's Level 3 securities include Class B/B-1 membership interests, representing the fair value of the Vencore's liability-based equity awards at year end. The Class B/B-1 membership interests are valued based on a model that includes significant unobservable inputs that cannot be corroborated using verifiable observable market data. The Company estimates the fair value of the Class B/B-1 membership interests using the Option-Pricing Method. The Option-Pricing method considers preferred and ordinary shares as call options on the total shareholders' equity value, giving consideration to the rights and preferences of each class of equity. Significant assumptions include volatility, risk free interest rate and a discount for lack of marketability. A volatility factor of 51.9%, a risk-free interest rate of 1.31% and a discount for lack of marketability of 34.0% were used in the December 31, 2015 fair value determination. A volatility factor of 84.1%, a risk-free interest rate of 0.85%, and a discount for lack of marketability of 33.0% were used in the December 31, 2016 fair value determination. A volatility factor of 74.8%, a risk-free interest rate of 1.39% and a discount for lack of marketability of 21.0% were used in the December 31, 2017 fair value determination. Refer to "Note 21—Share-based Compensation." Gains and losses that are incurred during the period for our Level 3 securities are recorded within the General and administrative expenses within the statements of operations.

For all periods presented, we did not have any transfers of assets or liabilities between levels of the fair value hierarchy.

In addition to the financial instruments listed in the table above, we hold other instruments, including cash, receivables, accounts payable, and debt. The carrying amounts for cash, receivables, and accounts payable approximated their fair values.

The carrying value of debt of \$878.2 million and \$971.0 million as of December 31, 2016 and 2017, respectively, was recorded at amortized cost. The estimated fair value of long-term debt as of December 31, 2016 and 2017 was \$907.1 million and \$993.8 million, respectively. The fair value of the Vencore term loans was determined using indicative broker quotes and comparisons to companies with similar characteristics. The fair values were estimated based on quoted market prices of debt and comparison to companies with terms and due dates similar to our long-term debt instruments. We determined the fair value of Vencore's long-term debt using Level 2 inputs in which fair value is generally estimated based on quoted market prices for identical or similar instruments. The fair value of Keypoint loans was determined to be the same as the carrying value.

18. Long-term Debt and Interest Rate Swap

The Company's total outstanding indebtedness at December 31, 2016 and 2017 consisted of the following (in thousands):

	As of December 31, 2016		As of December 31, 2017	
	Interest Rate	Outstanding Balance	Interest Rate	Outstanding Balance
UBS First Lien	5.75%	547,928	6.08%	542,137
Cortland First Lien	—	—	7.35%	206,938
UBS Second Lien	9.75%	244,200	10.08%	244,200
UBS / B1 loans	7.75%	113,559	—	—
Discount		(21,970)		(16,770)
Deferred financing		(5,493)		(5,489)
Current portion		(18,244)		(23,338)
Long-term debt, net of current portion		\$859,980		\$947,678

Scheduled maturities of long-term debt as of December 31, 2017 were as follows (in thousands):

Years ending December 31,	
2018	\$ 23,338
2019	548,362
2020	265,700
2021	21,500
2022	21,500
Thereafter	112,875
	<u>\$993,275</u>

UBS First and Second Lien

Senior Secured First Lien and Second Lien Credit Facilities with UBS

On May 23, 2014, Vencore and Vencore OpCo entered into a first lien credit facility with UBS, which was amended on June 17, 2016 (as amended, the "First Lien") to include a term loan increase of \$181.9 million. The First Lien was borrowed to help fund the retirement of the Senior Subordinated Notes and to pay dividends to Class A members. Cash dividends of \$183.0 million paid represented a liquidating dividend. The First Lien consists of a term loan of \$550.8 million due on November 23, 2019 and an available revolving credit facility of up to \$50.0 million that expires May 23, 2019, of which \$10.0 million may be used as letters of credit. The First Lien is secured by substantially all of Vencore's assets. The obligations of Vencore OpCo under the First Lien are guaranteed by Vencore and each of Vencore OpCo's subsidiaries (other than foreign subsidiaries, subsidiaries of foreign subsidiaries, immaterial subsidiaries, unrestricted subsidiaries and certain other subsidiaries). As of December 31, 2017, Vencore had borrowed \$0.2 million as letters of credit under the revolving credit facility. The amount available under the revolving credit facility may be utilized to fund working capital or for other general corporate purposes. Vencore is required to pay a commitment fee of 0.375% per annum, in respect of the unutilized revolving credit commitments. The revolving credit facility is secured and guaranteed on the same basis as the First and Second Lien loans. The original first lien credit facility included a delayed draw term loan of up to \$50.0 million which was reduced in 2014 to \$25.0 million. On June 9, 2015, Vencore terminated its delayed draw term loan of \$25.0 million and transferred \$9.6 million to its borrowings under the First Lien after the settlement of the contingent liability in the amount of \$9.6 million on the QNA SSG acquisition.

Borrowings under the First Lien bear interest at a rate equal to the Eurodollar base rate, as defined in the credit agreement (with a minimum of 1%), plus an applicable margin of 4.75%. The term loan is scheduled to be

repaid in 7 remaining quarterly installments of \$1.4 million with the balance due on November 23, 2019. The term loan is subject to mandatory prepayment requirements as follows: (i) if any indebtedness shall be issued or incurred by Vencore OpCo, any of its parent companies and their respective subsidiaries (defined as “Group Member” below), an amount equal to 100% of the Net Cash Proceeds thereof shall be applied promptly toward the prepayment of the term loan; (ii) if on any date any Group Member shall receive Net Cash Proceeds from any Asset Sale or Recovery Event then, unless a Reinvestment Notice shall be delivered in respect thereof, such Net Cash Proceeds shall be applied promptly toward the prepayment of the term loan; and (iii) if for any fiscal year of Vencore OpCo commencing with the fiscal year ending December 31, 2017, there shall be Excess Cash Flow (“ECF”), Vencore OpCo shall apply the ECF percentage of such Excess Cash Flow toward the prepayment of the term loan. Payments resulting from the annual ECF requirement are due no later than five business days after the earlier of (i) the date on which the financial statements of Vencore OpCo are required to be delivered to the lenders and (ii) the date such financial statements are actually delivered. At December 31, 2017, the current portion of \$12.6 million included the \$1.45 million of quarterly principal payments as well as \$6.8 million of ECF to be made in March 2018. No payments were due to the lenders in 2017 with respect to the annual ECF requirement for the year ended December 31, 2016 based on the First Lien agreement. Since the excess cash flow requirement is based on annual cash flow, it is not possible to estimate the amount, if any, that would become payable in subsequent years, subject to any submission in advance of the quarter ending deadlines.

On May 23, 2014 Vencore and Vencore OpCo entered into a second lien credit facility with UBS which included an original term loan of \$115.0 million due on May 23, 2020. Pursuant to an amendment on June 17, 2016 (as amended, the “Second Lien”), Vencore increased the term loan by \$129.2 million. Borrowings under the Second Lien bear interest at a rate equal to the Eurodollar base rate, as defined in the credit agreement (with a minimum of 1%), plus an applicable margin of 8.75%, and are repaid on a quarterly basis. The Second Lien is secured by substantially all of the Vencore’s assets. The obligations of Vencore OpCo under the Second Lien are guaranteed by Vencore and each of Vencore OpCo’s subsidiaries (other than foreign subsidiaries, subsidiaries of foreign subsidiaries, immaterial subsidiaries, unrestricted subsidiaries and certain other subsidiaries). The term loan is subject to mandatory prepayment requirements as follows: (i) if any indebtedness shall be issued or incurred by Vencore OpCo, any of its parent companies and their respective subsidiaries (defined as “Group Member” below), an amount equal to 100% of the Net Cash Proceeds thereof shall be applied promptly toward the prepayment of the term loan; (ii) if on any date any Group Member shall receive Net Cash Proceeds from any Asset Sale or Recovery Event then, unless a Reinvestment Notice shall be delivered in respect thereof, such Net Cash Proceeds shall be applied promptly toward the prepayment of the term loan; and (iii) if for any fiscal year of Vencore OpCo commencing with the fiscal year ending December 31, 2017, there shall be excess cash flow (“ECF”), Vencore OpCo shall apply the ECF percentage of such excess cash flow toward the prepayment of the term loan. Payments resulting from the annual ECF requirement are due no later than five business days after the earlier of (i) the date on the which the financial statements of Vencore OpCo are required to be delivered to the lenders and (ii) the date such financial statements are actually delivered. As of December 31, 2017, \$6.8 million of annual ECF is required to be paid in March 2018. As of December 31, 2016, no payment was due to the lenders with respect to the annual ECF.

In 2016, Vencore paid fees of \$21.4 million to lenders and third parties to amend the original first lien and second lien credit agreements and to retire the Senior Subordinated Notes. Out of the \$21.4 million, \$4.8 million was expensed in the period, \$0.9 million was added to the deferred financing fees balance and the remaining \$15.7 million was added to the loan discount. The deferred financing fees and loan discount are being amortized over the remaining term of the debt using the effective interest rate method.

Vencore has pledged substantially all of its assets as collateral under the First Lien and Second Lien agreements. They are guaranteed, jointly and severally, by all existing and future domestic subsidiaries. The First Lien and Second Lien agreements contain a number of covenants that, among other things, limit or restrict the ability of us and our restricted subsidiaries to: (1) dispose of certain assets; (2) incur, permit or guarantee certain additional indebtedness; (3) enter into a new line of business; (4) make certain investments; (5) incur or maintain certain liens; (6) pay or modify certain terms of certain debt instruments; (7) enter into swap agreements;

(8) enter into agreements containing negative pledge clauses; (9) permit restrictions on a restricted subsidiary's ability to pay dividends, make intercompany loans or otherwise transfer assets to us or any of our restricted subsidiaries; (10) engage in certain transactions with affiliates; (11) engage in mergers or the sale of substantially all of our or our subsidiaries' assets; (12) pay dividends or make other restricted payments; and (13) make capital expenditures. The full balance of accumulated deficit is restricted. The First Lien agreement also contains a financial covenant for the benefit of the revolving credit facility lenders that requires us to maintain a maximum first lien net leverage ratio (as defined in the First Lien agreement) when utilization of the revolving credit facility exceeds 30% of the total aggregate revolving credit facility commitments. As of December 31, 2017, Vencore was in compliance with the required consolidated net leverage ratio (as defined in the First Lien and Second Lien agreements) of 6.50:1.00. Events of default under the credit agreements include, among other things, failure to make applicable principal or interest payments when they are due, breach of certain covenants and representations or change in control. At the occurrence of such an event, the administrative agent, at the request of the lenders, may terminate the commitments and declare the outstanding principal and accrued interest thereon and all fees and other obligations to be due and payable and exercise other rights and remedies provided for in the First and Second Lien agreements. Vencore is not currently in default under any of its loan provisions under the First and Second Lien agreements.

Senior Subordinated Notes

In November 2010, Vencore and Vencore OpCo completed an offering of \$175.0 million principal amount of 11.5% senior subordinated notes due November 22, 2017 (the "Senior Subordinated Notes"). Interest accrued at the fixed rate of 11.5% and was paid quarterly. The notes were unsecured obligations of Vencore and were subordinated to all existing and future senior loans including borrowings under the First and Second Liens. The Senior Subordinated Notes were guaranteed, jointly and severally, by all existing and future domestic subsidiaries. In May 2014, Vencore amended its Senior Subordinated Notes agreement and extended the maturity date to November 22, 2020 as part of the UBS debt refinancing. The Senior Subordinated Notes holders were paid 2.25 basis points, or \$3.9 million, as an amendment fee, and this amount was added to the deferred financing fees balance. On June 17, 2016, Vencore paid off the outstanding Senior Subordinated Notes balance of \$175.0 million with the loan proceeds from the UBS debt refinancing. The debt repayment met the requirements of and was treated as an extinguishment for accounting purposes. Accordingly, associated unamortized deferred financing fees and an unamortized discount of \$3.2 million and \$2.2 million, respectively, as well as a loan breakage fee of \$1.7 million, were recorded as debt extinguishment expenses in the accompanying combined statements of operations.

Interest Rate Swap on Variable-Rate Term Loan under Senior Secured Credit Facility

In July 2014, Vencore, through Vencore OpCo, entered into an interest rate swap agreement with an effective date of July 24, 2014 and a maturity date of June 30, 2018 with Royal Bank of Canada on a notional amount of \$175.0 million to eliminate the variability of cash flows due to fluctuations in LIBOR interest rates. Under the terms of the swap agreement, Vencore OpCo exchanged its floating LIBOR interest rate for a fixed interest rate of 2.45% for a period of four years. In September 2016, Vencore OpCo amended its existing swap agreement which lowered the fixed interest rate to 1.325% from September 30, 2016 through June 30, 2017, and then 2.27% from June 30, 2017 through May 26, 2020. The amendment resulted in a new maturity date of May 23, 2020.

The swap was in a liability position of \$2.0 million as of December 31, 2016, as stated on our combined balance sheets with \$0.7 million recorded in other current liabilities ("Note 11—Other Current Liabilities") and \$1.3 million recorded in other long-term liabilities ("Note 12—Other Long-term Liabilities"). The swap was in a liability position of \$0.7 million as of December 31, 2017, as stated on our combined balance sheets, with \$0.6 million in other current liabilities ("Note 11—other Current Liabilities") and \$0.1 million recorded in other long-term liabilities ("Note 12—Other Long-term Liabilities"). We recorded an expense of \$0.1 million, and income of \$2.4 million and \$1.3 million in connection with the swap for the years ended December 31, 2015,

2016 and 2017, respectively, which is included in the interest expense line item in our combined statements of operations. Interest payments are classified as operating activities in the combined statement of cash flows.

Cortland First Lien

On April 18, 2017, Keypoint entered into the First Lien Credit Facility with a syndicate of lenders providing for the \$215.0 million First Lien Term Loan and the \$15.0 million Revolving Credit Facility. The First Lien Term Loan and the Revolving Credit Facility have maturity dates of April 18, 2024 and April 18, 2022, respectively. The First Lien (Amended) was borrowed to help fund the retirement of the UBS Term Loan dated October 31, 2014 and to pay cash dividends in the amount of \$102.7 million.

Interest rates under the First Lien Credit Facility are based, at Keypoint's election, on a Eurodollar rate, subject to an interest rate floor of 1%, plus an applicable margin of 6.0%. The term loan is scheduled to be repaid in 8 quarterly installments of 1.25% of the original principal amount of the term loan and the remaining 19 quarterly installments of 2.5% of the original principal amount of the term loan with the balance due April 18, 2024. Proceeds are subject to mandatory prepayment if (i) any Indebtedness shall be issued or incurred by any Group Member (excluding other than any Credit Agreement Refinancing Indebtedness), an amount equal to 100% of the Net Cash Proceeds thereof shall be applied promptly; (ii) on any date any Group Member shall receive Net Cash Proceeds from any Asset Sale or Recovery Event then, unless a Reinvestment Notice shall be delivered in respect thereof, such Net Cash Proceeds shall be applied promptly; (iii) for any Excess Cash Flow Period, there shall be Excess Cash Flow, the Borrower shall, on the relevant Excess Cash Flow Application Date, apply the ECF Percentage of such Excess Cash Flow toward the prepayment of the Term Loans, pursuant to the terms of the agreement. As of December 31, 2017, KeyPoint expects to make a required excess cash flow payment of \$1.2 million that will be applied to the March 31, 2018 scheduled principal installment. The current portion of long-term debt as of December 31, 2017 includes \$9.6 million of quarterly principal payments as well as the \$1.2 million excess cash flow payment to be made in March 2018. As of December 31, 2017, Keypoint was in compliance with the Consolidated Net Leverage ratio of 5.00:1.00.

UBS/B1 Term Loan Dated October 31, 2014

On November 13, 2012, Keypoint entered into a Credit Agreement in the gross amount of \$150.0 million and a revolving credit facility for borrowings up to \$10.0 million. The Credit Agreement matured on November 13, 2017 and had interest at a rate of 5.0% plus the highest of: 1) base rate as established by the Administrative Agent, 2) federal funds rate plus 0.5%, 3) one month LIBOR rate plus 1% or 4) 2.25% per annum. On October 31, 2014 the Credit Agreement was amended to increase the principal amount by adding \$22.0 million to the then existing debt. The base interest rate was increased from 5% to 5.5% for both the term loan and the revolving credit facility.

As of December 31, 2017, there were no amounts outstanding on the UBS Term Loan dated November 13, 2012 and amended October 31, 2014, and the related revolver with a maturity of November 13, 2017. The outstanding balance of \$109.2 million on the UBS Term Loan was repaid in full on April 18, 2017 using a portion of the proceeds from the new \$215.0 million First Lien Term Loan. In conjunction with the repayment of the UBS Term Loan, Keypoint recognized a \$4.3 million loss on early extinguishment related to the unamortized deferred financing costs and discount on the UBS Term Loan in "Debt extinguishment costs" in the combined statement of operations. Keypoint accounted for the debt refinancing in accordance with ASC 470-50, *Modifications and Extinguishments*.

19. Postretirement Plans

Defined Contribution Plans

The Company sponsors a defined contribution plan for specific employees, which consists of a 401(k) plan and a profit sharing feature that covers substantially all employees and complies with Section 401 of the Internal

Revenue Code. Participants may make voluntary contributions to the plan up to the maximum amount allowable by law. The Company will match eligible employee contributions to the plan in accordance with the plan document. The Company's contribution expense for the years ended December 31, 2015, 2016 and 2017 were \$14.2 million, \$21.9 million and \$22.7 million, respectively. The Company's profit sharing contribution expense for the years ended December 31, 2015, 2016 and 2017 were \$1.1 million, \$1.1 million and \$0.9 million, respectively.

The increase in 401(k) contributions was due to the increase in Vencore's match as a result of changes made to the Vencore's benefit plans in 2016. Vencore used \$0.4 million from the plan forfeiture account to fund its contribution for the year ended December 31, 2016. For the year ended December 31, 2017, Vencore did not use any forfeitures to fund its contributions.

Defined Benefit Pension Plans and Retiree Medical and Life Insurance Plans

The Company maintains and administers a defined benefit pension plan and provides certain health care benefits to eligible retirees under the retiree health and welfare plan. We will make contributions to a trust constituting a Voluntary Employees' Beneficiary Association ("VEBA") established to pay future benefits to eligible retirees and dependents. The Company also sponsors a nonqualified defined benefit pension plan to provide for benefits in excess of qualified plan limits. We use December 31 as the measurement date. Benefit obligations as of the end of each year reflect assumptions in effect as of those dates.

Amendments to Postretirement Plans

With the adoption of the Pension Preservation Plus ("PPP"), Vencore also amended its defined benefit plan effective May 1, 2014 as part of the PPP. Participants began accruing retirement benefits according to a new account-based formula linked to pensionable income, age and years of service. The retirement benefits included both a pension plan account managed by the Company and a 401(k) plan with accounts managed by employees. All current legacy SI employees, as well as new hires, began to participate in the PPP effective May 1, 2014. Employees of the Company's legacy ACS and legacy QNA SSG subsidiaries maintained their benefits under the previous retirement plans. In 2016, we paid \$0.2 million for interest accrued on the PPP balance in 2015. In 2017, we paid \$0.6 million for interest accrued on the PPP balance in 2016.

Effective January 1, 2016, Vencore announced further changes to its pension and defined contribution plans. Vencore decided to commit to defined contribution plans as its primary retirement vehicle and increased the Company match contributions from 3% in 2015 to 5% in 2016. In addition, the Vencore, Inc., Vencore Services and Solutions and Vencore Labs defined contribution plans were merged during 2016. Also, the retirement plan benefits as part of the PPP were reduced to \$100 per participant per year starting in 2016, and no new hires as of 2016 were to be eligible for the PPP. As a result, the defined benefit plan service cost was \$0.1 million during the year ended December 31, 2016 and 2017. Keypoint's 401(k) plan still remained at 3%.

On June 30, 2016, Vencore received a liquidation notice from Blackrock Financial Management ("BFM"), an investment manager of certain of the Company's postretirement benefit plan assets. BFM liquidated the BlackRock Appreciation Fund IV (the "fund") in 2017 and Vencore received \$4.5 million distributions to the Qualified Defined Benefit Pension Plan with \$0.4 million remaining balance to be received in 2018. This investment was designated a level 3 investment in our pension plan assets and had \$4.8 million value as of December 31, 2016. In light of the fund's liquidation, no subscriptions for participating shares in the fund will be accepted and redemptions of participating shares in the fund will be suspended.

Benefit Obligations and Funded Status

The following provides a reconciliation of the funded status of our defined benefit plans and other postretirement medical plan (in thousands):

	Qualified Defined Benefit Pension Plan		Retiree Medical Plan		Nonqualified Defined Benefit Pension Plan	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2016	2017	2016	2017	2016	2017
Change in benefit obligation						
Benefit obligation at the beginning of the year	\$469,769	\$466,783	\$15,432	\$12,487	\$ 9,981	\$ 8,247
Service cost	115	102	160	139	—	—
Interest cost	18,057	17,923	517	436	380	322
Participants' contributions	—	—	699	660	—	—
Benefits paid	(13,887)	(20,682)	(939)	(1,166)	(368)	(388)
Actuarial losses (gains)	11,574	42,173	(981)	(5,414)	469	1,379
Amendments, settlements and curtailments	(18,845)	—	(2,401)	—	(2,215)	—
Projected benefit obligation at end of year	<u>\$466,783</u>	<u>\$506,299</u>	<u>\$12,487</u>	<u>\$ 7,142</u>	<u>\$ 8,247</u>	<u>\$ 9,560</u>
Change in plan assets						
Fair value of plan assets at beginning of year	\$395,220	\$392,927	\$11,420	\$12,174	\$ —	\$ —
Actual return on plan assets	30,439	39,618	654	1,531	—	—
Benefits paid	(13,887)	(20,682)	(693)	(871)	—	—
Employer contributions	—	—	340	—	—	—
Plan participants' contributions	—	—	619	660	—	—
Settlement accounting	(18,845)	—	—	—	—	—
Fair value of plan assets at end of year	<u>392,927</u>	<u>411,863</u>	<u>12,340</u>	<u>13,494</u>	<u>— (a)</u>	<u>— (a)</u>
Claims payable from VEBA	—	—	(166)	(295)	—	—
Fair value of plan assets at end of year adjusted for claims payable	<u>392,927</u>	<u>411,863</u>	<u>12,174</u>	<u>13,199</u>	<u>—</u>	<u>—</u>
Unfunded (funded) status of the plans	<u>\$ 73,856</u>	<u>\$ 94,436</u>	<u>\$ 313</u>	<u>\$ (6,057)</u>	<u>\$ 8,247</u>	<u>\$ 9,560</u>
Amounts recognized in the balance sheet						
Current postretirement benefit liabilities ^(b)	—	—	—	—	(452)	(412)
Noncurrent postretirement benefit (liabilities) assets	—	—	(313)	6,057	(7,795)	(9,148)
Noncurrent pension liabilities	(73,856)	(94,436)	—	—	—	—
Accumulated other comprehensive income (pretax) related to:						
Net actuarial losses (gains)	67,684	92,252	(3,180)	(9,376)	(494)	886
Prior service (credit) cost	(30,575)	(25,760)	(2,401)	(2,049)	(9)	—

(a) As of December 31, 2016 and 2017, the Company had assets of \$2.8 million and \$2.6 million, respectively, related to the nonqualified defined benefit pension plans held within a rabbi trust. Therefore, they represent assets of the Company and are not offset against the projected benefit obligations. These assets are recorded in other long-term assets in our combined balance sheets.

(b) These current liabilities are recorded in other current liabilities in our combined balance sheets as of December 31, 2016 and 2017.

The qualified defined benefit pension plan was amended to provide an offer to terminated vested participants during the period from September 19, 2016 to October 28, 2016 to elect a lump sum payment. The

lump sum of \$18.8 million was paid on December 1, 2016 and the liability on the balance sheet was reduced accordingly. There were no amendments to the plan in 2017.

The unrecognized amounts recorded in accumulated other comprehensive (loss) income will subsequently be recognized as an expense consistent with our historical accounting policy for amortizing those amounts. Actuarial gains and losses incurred in future periods and not recognized as expense in those periods will be recognized as increases or decreases in other comprehensive (loss) income, net of tax. As they are subsequently recognized as a component of expense, the amounts recorded in other comprehensive (loss) income in prior periods are adjusted.

The following postretirement benefit plan amounts were included as adjustments to other comprehensive (loss) income, net of tax, during the years ended December 31, 2015, 2016 and 2017. The amounts relate primarily to our qualified defined benefit plan. The amounts listed under “Realized but Not Recognized” reflect (a) actuarial losses or gains due to differences between actual experience and the actuarial assumptions, which occurred during 2015, 2016 and 2017, and were recognized as a component of other comprehensive (loss) income at the end of the year, and (b) prior service cost or credit due to plan amendments (amounts in thousands):

	Year Ended December 31,		
	2015	2016	2017
Realized but not recognized			
Actuarial losses and (gains)	\$ 9,724	\$ 2,813	\$22,328
Prior Service cost/(Credit)	—	(2,401)	—
Recognition of previously deferred amounts			
Actuarial gains and (losses)	(1,685)	(1,979)	(2,577)
Prior Service Credit	\$ 4,763	\$ 4,815	\$ 5,177

The Company expects \$4.8 million of actuarial gains and losses related to the qualified and nonqualified defined benefit pension plans included in accumulated other comprehensive income at the end of 2017 to be recognized in net pension costs during 2018. The unrecognized actuarial gains and losses related to the retiree medical plan included in accumulated other comprehensive loss at the end of 2017 are expected to be recognized in the net pension costs during 2018. The actuarial gains and (losses) and prior service costs/(credit) from previously deferred amounts are recorded in the Gain on pension plan within the combined statements of operations.

Net Pension and Postretirement Benefit Costs

The net pension cost and the net postretirement benefit cost included the following components (in thousands):

	Year Ended December 31,		
	2015	2016	2017
Qualified defined benefit pension plan			
Service cost	\$ 9,953	\$ 115	\$ 102
Interest cost	20,326	18,057	17,923
Expected return on plan assets	(29,425)	(25,011)	(24,836)
Amortization of net loss/(gain)	1,686	2,188	2,824
Amortization of prior service (credit)	(4,815)	(4,815)	(4,815)
Amendments, settlements and curtailments expense	—	2,733	—
Total net pension expense	<u>\$ (2,275)</u>	<u>\$ (6,733)</u>	<u>\$ (8,802)</u>

	Year Ended December 31,		
	2015	2016	2017
Retiree medical plan			
Service cost	\$ 226	\$ 160	\$ 139
Interest cost	656	517	436
Expected return on plan assets	(542)	(473)	(505)
Amortization of net (gain)/loss	—	(206)	(245)
Amortization of prior service cost	—	—	(351)
Total net pension expense (benefit)	<u>\$ 340</u>	<u>\$ (2)</u>	<u>\$ (526)</u>
Nonqualified defined benefit pension plans			
Service cost	\$ 216	\$ —	\$ —
Interest cost	429	380	322
Settlement and curtailment expense	—	(92)	—
Amortization of net (gain)/loss	(1)	(4)	(2)
Amortization of prior service cost	52	—	(10)
Total net pension expense	<u>\$ 696</u>	<u>\$ 284</u>	<u>\$ 310</u>

Actuarial Assumptions

The actuarial assumptions used to determine the benefit obligations at December 31, 2016 and 2017 related to our postretirement benefit plans were as follows:

	As of December 31,	
	2016	2017
Defined benefit pension plans		
Discount rate	4.48%	3.81%
Retiree medical plan		
Discount Rate	4.31%	3.69%

The rate of increase in future compensation levels is not applicable to the retiree medical plan. The actuarial assumptions used to determine the net expense related to our postretirement benefit plans in 2016 and 2017 were as follows:

	As of December 31,	
	2016	2017
Defined benefit pension plans		
Discount rate	4.67%	4.45%
Expected long-term rate of return on assets (a)	6.50%	6.50%
Retiree medical plan		
Discount rate	4.54%	4.31%
Expected long-term rate of return on assets	6.50%	6.50%

- (a) The expected long-term rate of return on assets does not apply to the nonqualified defined benefit pension plans as they are unfunded.

The long-term rate of return assumption represents the expected average rate of earnings on the funds invested or to be invested to provide for the benefits included in the benefit obligations. That assumption is based on several factors including historical market index returns, the anticipated long-term asset allocation of plan

assets, the historical return data, plan expenses, and the potential to outperform market index returns. For the year ended December 31, 2016 and 2017, the Company used an expected long-term rate of return assumption of 6.50% for its defined benefit pension and retiree medical plans. This expected rate of return reflects the asset allocation of the plans, and is based primarily on broad, publicly traded equity and fixed income indices and forward-looking estimates of active portfolio and investment management.

The rate of increase in future compensation levels is not applicable to the retiree medical plan or defined pension plan. The medical trend assumption is not applicable as the Company provided retiree health benefits are capped over and under age 65. The defined benefit plan is capped at \$25 per quarter benefit per participant.

Beginning in 2016, the Company adopted the full yield curve approach to determining the interest cost component of net periodic benefit expense. Historically, this component was determined by utilizing a single weighted-average discount rate based on a yield curve used to measure the benefit obligation at the beginning of the period. In 2016, we elected to utilize a full yield curve approach by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. We have made this change to provide a more precise measurement of service and interest costs by improving the correlation between the projected cash flows to the corresponding spot rates along the yield curve. This change had no impact on pension and other postretirement benefit liabilities. In 2016 and 2017, the interest cost was reduced by \$3.6 million and \$2.6 million, respectively.

Plan Assets

The Company has the fiduciary responsibility for making investment decisions related to the assets of our postretirement benefit plans. The objectives for the assets of the defined benefit pension and retiree medical plans are (1) to minimize the net present value of expected funding contributions; (2) to ensure there is a high probability that each plan meets or exceeds our actuarial long-term rate of return assumptions; and (3) to diversify assets to minimize the risk of large losses. The nature and duration of benefit obligations, along with assumptions concerning asset class returns and return correlations, are considered when determining an appropriate asset allocation to achieve the investment objectives.

Investment policies and strategies governing the assets of the plans are designed to achieve investment objectives within prudent risk parameters. Risk management practices include the use of external investment managers; the maintenance of a portfolio diversified by asset class, investment approach, and security holdings; and the maintenance of sufficient liquidity to meet benefit obligations as they come due.

Pursuant to the investment policies established, the following asset allocations have been established and will be utilized for the qualified defined benefit pension plan assets in future years:

Asset Class	Target Allocation 2018	Actual Allocation 2017
Cash	2.5%	0.9%
Equity securities	30.0	31.0
Fixed income	22.5	24.8
Real estate	10.0	11.9
Other	35.0	31.4

Contributions and Expected Benefit Payments

We generally determine funding requirements for our defined benefit pension plans in a manner consistent with the Employee Retirement Income Security Act of 1974 (“ERISA”). During the years ended December 31, 2016 and 2017, no contributions were made to our qualified defined benefit pension plan and no contributions are expected to be required in 2018 for this plan.

The following benefit payments, which reflect expected future service and receipts, are expected to be paid in the next five years and thereafter. The payments for the retiree medical plan are shown net of estimated employee contributions for the respective years. Under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, the U.S. Government makes subsidy payments to eligible employers to offset the cost of prescription drug benefits provided to plan participants. No subsidy payments were received during the years ended December 31, 2016 and 2017 and no subsidy payments are expected to be received in the future (in thousands):

	Qualified Pension Benefits	Retiree Medical Payments	Nonqualified Pension Benefits
2018	\$ 22,425	\$ 395	\$ 412
2019	22,651	414	429
2020	22,906	424	466
2021	23,202	425	505
2022	23,503	440	574
Years 2023—2027	132,951	2,275	2,850

Fair Value Measurements

The rules related to accounting for postretirement benefit plans under U.S. GAAP require certain fair value disclosures related to postretirement benefit plan assets, even though those assets are not included on our combined balance sheets. The following table presents the fair value of the assets (in thousands) of our plans by asset category and their level within the fair value hierarchy, which has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets, Level 2 refers to fair values estimated using significant other observable inputs and Level 3 includes fair values estimated using significant unobservable inputs. Certain other investments are measured at fair value using their NAV per share and do not have readily determined values and are thus not subject to leveling in the fair value hierarchy. As of December 31, 2017 and 2016, there were no investments expected to be sold at a value materially different than NAV. The NAV is the total value of the fund divided by the number of shares outstanding (in thousands):

	As of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Investments measured at fair value				
Cash and cash equivalents	\$12,043	\$ —	\$ —	\$ 12,043
Equity funds	19,390	—	—	19,390
Fixed income	19	22,364	—	22,383
Real estate funds	—	—	47,102	47,102
Hedge funds	—	—	33,878	33,878
Total investments measured at fair value	\$31,452	\$22,364	\$80,980	\$134,796
Investments measured at NAV				
Cash and cash equivalents				\$ 1,544
Equity funds				111,225
Fixed income				41,607
Corporate funds				1,500
Hedge funds				117,346
Total investments measured at NAV				\$273,222
Total investments				<u>\$408,018</u>

	As of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Investments measured at fair value				
Cash and cash equivalents	\$ 4,562	\$ —	\$ —	\$ 4,562
Equity funds	22,341	—	—	22,341
Fixed income	31	19,146	—	19,177
Real estate funds	—	—	48,756	48,756
Hedge funds	—	—	30,384	30,384
Total investments measured at fair value	<u>\$26,934</u>	<u>\$19,146</u>	<u>\$79,140</u>	<u>\$125,220</u>
Investments measured at NAV				
Cash and cash equivalents				\$ 1,540
Equity funds				128,147
Fixed income				53,311
Corporate funds				1,653
Hedge funds				118,058
Total investments measured at NAV				<u>\$302,709</u>
Total investments				<u>\$427,929</u>

The following table illustrates our Level 3 reconciliation (in thousands):

2016 Fair Value Measurement Using Significant Unobservable Inputs (Level 3)

	Balance at January 1, 2016	Actual Return on Plan Assets	Purchases, Sales and Settlements Net	Balance at December 31, 2016
Real Estate Funds	\$24,732	\$2,370	\$20,000	\$47,102
Hedge Funds	23,194	882	9,802	33,878
	<u>\$47,926</u>	<u>\$3,252</u>	<u>\$29,802</u>	<u>\$80,980</u>

2017 Fair Value Measurement Using Significant Unobservable Inputs (Level 3)

	Balance at January 1, 2017	Actual Return on Plan Assets	Purchases, Sales and Settlements Net	Balance at December 31, 2017
Real Estate Funds	\$47,102	\$2,106	\$(452)	\$48,756
Hedge Funds	29,053 ^(a)	1,331	—	30,384
	<u>\$76,155</u>	<u>\$3,437</u>	<u>\$(452)</u>	<u>\$79,140</u>

- (a) In 2016, the Blackrock investment which was part of the Hedge Funds was fair valued using level 3 inputs. In 2017, this investment was liquidated and measured at NAV.

Valuation Techniques

Cash equivalents are mostly comprised of short-term money-market instruments and are valued at cost, which approximates fair value.

The equity funds, fixed income and corporate funds categorized as Level 1 are traded on active exchanges and are valued at their closing prices on the last trading day of the year.

The equity, fixed income and hedge funds categorized as Level 2 are hedge funds that have a concentration of investments in international equities.

The real estate and hedge funds categorized as Level 3 are valued using NAV and nominal methods based on valuation models that include significant unobservable inputs and cannot be corroborated using verifiable observable market data. Use of these inputs involves significant and subjective judgments to be made by a reporting entity. If a change in Level 3 inputs occur, the resulting amount might result in a significantly higher or lower fair value measurement. Valuations for hedge funds are valued by independent administrators. Depending on the nature of the assets, the general partners or independent administrators use both the income and market approaches in their models. The market approach consists of analyzing market transactions for comparable assets while the income approach uses earnings or the net present value of estimated future cash flows adjusted for liquidity and other risk factors. Investments in hedge funds have no discernible concentration in nature of risk.

Comprehensive (Loss) Income

Comprehensive (loss) income and its components are presented in the combined statements of comprehensive loss. Accumulated other comprehensive (loss) income consisted of the following as of December 31, 2016 and 2017 (in thousands):

Year Ended December 31, 2016			
	Before Tax Amount	Tax Expense	Net of Tax Amount
Pension and other postretirement benefit plans			
Unrecognized losses	\$(31,025)	\$(28,615) ⁽¹⁾	\$(59,640)
Available for sale securities:			
Unrecognized gains	919	(24) ⁽¹⁾	895
	<u>\$(30,106)</u>	<u>\$(28,639)</u>	<u>\$(58,745)</u>
Year Ended December 31, 2017			
	Before Tax Amount	Tax Expense	Net of Tax Amount
Pension and other postretirement benefit plans			
Unrecognized losses	\$(55,953)	\$(28,615) ⁽¹⁾	\$(84,568)
Available for sale securities:			
Unrecognized gains	1,509	(24) ⁽¹⁾	1,485
	<u>\$(54,444)</u>	<u>\$(28,639)</u>	<u>\$(83,083)</u>

(1) Due to inter-period allocation and the Company's full valuation allowance, 2016 and 2017 amounts are presented in gross.

20. Commitments and Contingencies

Capital Leases

Capitalized lease liabilities represent obligations due under capital leases for the use of equipment. The gross amounts of assets recorded under capital leases was \$1.7 million with accumulated amortization of \$0.5 million as of December 31, 2016, and \$3.7 million with accumulated amortization of \$1.3 million as of December 31, 2017. As of December 31, 2016, the Company reported \$0.6 million in other current liabilities and \$0.6 million in other long-term liabilities. As of December 31, 2017, the Company reported \$1.0 million in other current liabilities and \$1.3 million in other long-term liabilities.

The future minimum lease payments required to be made under the capital leases as of December 31, 2017 are as follows (in thousands):

Years ending December 31,	
2018	\$1,247
2019	965
2020	535
2021	10
2022 and thereafter	—
Total payments	2,757
Less amount representing interest	(247)
Executory costs	(150)
Present value of future lease payments	\$2,360
Current portion	1,035
Net of current portion	\$1,325

The amortization expense recorded for capital leases were \$0.1 million, \$0.5 million and \$0.9 million for the years ended December 31, 2015, 2016 and 2017, respectively.

Operating Leases

The Company has operating leases for certain facilities. Rent expense was approximately \$33.1 million, \$30.2 million and \$26.8 million for the years ended December 31, 2015, 2016 and 2017, respectively. The Company also recognized sublease income under operating leases in the amount \$2.4 million, \$2.8 million and \$2.7 million for the years ended December 31, 2015, 2016 and 2017, respectively.

Minimum future lease payments as of December 31, 2017 for all operating leases were as follows (in thousands):

	<u>Lease Payments</u>	<u>Sublease Income</u>	<u>Net Lease Payment</u>
Years ending December 31,			
2018	\$25,192	\$2,199	\$22,993
2019	23,778	1,770	22,008
2020	22,248	1,313	20,935
2021	11,262	—	11,262
2022	9,653	—	9,653
Thereafter	3,979	—	3,979

Other

From time to time, the Company may be subject to various litigation and related matters arising in the ordinary course of business. The Company does not believe it is currently subject to any material matters where there is at least a reasonable possibility that a material loss may be incurred.

In accordance with applicable accounting guidance, the Company establishes an accrued liability when loss contingencies are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. As a matter develops, the Company, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. Once the loss contingency is deemed to be both probable and estimable, the Company will establish an accrued liability and record a corresponding amount of litigation-related expense. The Company expenses professional fees associated with litigation claims and assessments as incurred.

OPM Data Breach Litigation

Keypoint has been named as a defendant in a consolidated action in the U.S. District Court for the District of Columbia related to one or more cyberattacks against OPM announced in June 2015. The action claims, among other things, that OPM violated the Privacy Act of 1974 and the Administrative Procedure Act, and that Keypoint was negligent in protecting its own systems against a cyberattack that allegedly facilitated the OPM breach. The plaintiffs purport to seek monetary damages, unspecified equitable relief, and a declaration that KeyPoint must implement certain cybersecurity measures.

Keypoint believes these claims are without merit, and intends to defend the action. Given the current stage of these matters, the range of potential loss is not probable or estimable and no accrual has been recognized as of December 31, 2017 or December 31, 2016.

In addition to the matters described above, the Company is subject to routine legal proceedings in the ordinary course of business. The Company does not believe it is currently subject to any material matters where there is at least a reasonable possibility that a material loss may be incurred.

21. Share-based Compensation

Class B/B-1 Awards

Vencore issued membership interests to members of management from an LLC holding company in two stock based compensation plans. The two plans are the Class B and Class B-1 shares. Vencore determined that the plans should be liability classified based on the facts and circumstances noted below.

In accordance with ASC 718-10-15-4, as the interests were granted by the holding company, two levels above the reporting entity, the instruments that fall within the scope of ASC 718 should be accounted for by the company as stock-based compensation, and should be recorded as compensation cost and a corresponding liability in the Company's financial statements.

Total Class B/B-1 Membership Interests authorized for issuance represent up to 7.4% of the aggregate Membership Interests in The SI Organization Holdings LLC. The Class B/B-1 Membership Interests are subject to a vesting schedule, under which vesting occurs in increments of 20% on each annual anniversary of the initial grant date. Ownership with respect to the Class B/B-1 Membership Interests becomes fully vested on the fifth anniversary of the initial grant date. Any unvested portion of Class B/B-1 Membership Interests reverts to The SI Organization Holdings LLC in the event of forfeiture or reduction in accordance with the terms of the amended and restated limited liability company operating agreement of The SI Organization Holdings LLC. The Class B and B-1 shares are also subject to a performance condition which will be satisfied upon a change in control, upon which all awards will be fully vested. For awards that are subject to a performance condition, compensation cost will not be accrued unless it is probable that the performance condition will be achieved. Vencore has deemed that the likelihood of the occurrence of an event that results in a change in control is remote and therefore has not accrued nor recorded any compensation cost relating to the Class B and B-1 shares.

Class B/B-1 Membership Interests have no exercise price and are not subject to expiration. Pursuant to the terms of the amended and restated limited liability company operating agreement of The SI Organization Holdings LLC, the holders of Class B/B-1 Membership Interests are entitled to receive their respective proportional interest of all distributions made by The SI Organization Holdings LLC, provided the holders of Class A Membership Interests have received an 8.0% per annum rate of return on their invested capital. During 2015, certain members of the Company's management were granted Class B-1 Membership Interests in The SI Organization Holdings LLC. At December 31, 2016 and 2017, the aggregate outstanding individual grants of Class B/B-1 Membership Interests represented approximately 5.55% of the Membership Interests in The SI Organization Holdings LLC. The holders of the Class B and B-1 shares may retain ownership upon termination of employment but the ownership is not transferrable except upon death of the holder.

As of December 31, 2015, 2016 and 2017, the non-vested portion of Class B/B-1 membership interests represented 46%, 25%, and 29%, respectively.

Incentive Bonus Awards

As of December 31, 2016, Vencore had share-based compensation awards outstanding under the 2010 Incentive Bonus Plan, pursuant to The SI Organization Holdings LLC's limited liability company agreement. Management has concluded that the incentive bonus awards are cash settled but based on the value of equity of the entity and therefore should be classified as liability share-based payment awards for purposes of accounting for stock based compensation under the guidance in ASC 718.

Under the terms of Vencore's Incentive Bonus Plan, phantom equity awards are granted to employees, directors and consultants. These awards are subject to a vesting schedule, under which vesting occurs in increments of 20% on each annual anniversary of the initial grant date. The awards vest ratably over a 5 year period beginning on the employees' hire date; however, vesting is accelerated upon a change in control. Ownership with respect to the phantom equity awards becomes fully vested on the fifth anniversary of the initial grant date. In March of 2016 and August 2017, certain members of the Vencore's management were granted phantom equity awards and at December 31, 2016 and 2017, the aggregate outstanding individual grants of phantom equity awards were equivalent to approximately 0.62% and 1.85% of Class B-1 Membership Interests in The SI Organization Holdings LLC, respectively.

Vencore recorded compensation expense of \$4.0 million, (\$0.2) million and \$3.6 million for the years ended December 31, 2015, 2016, and 2017, respectively. We recorded the corresponding liability of \$6.6 million and \$10.2 million in accrued compensation and benefits as of December 31, 2016 and 2017, respectively, on our combined balance sheets. The fair value of the awards as of December 31, 2016 and 2017 was \$8.2 million and \$13.6 million, respectively. There were awards forfeited in 2016 and 2017, but these forfeitures have no impact on the total liability. The compensation expense related to the Membership Interests is not deductible for tax purposes.

Keypoint also has an equity based awards program. These awards are an interest percentage and allow the recipient to participate in the appreciation over the valuation of Keypoint specified in the employees' grant letter multiplied by the recipient's interest percentage. The recipient has no right to any payment other than upon a change in control. Since a change in control of Keypoint (i.e., a liquidity event) is one of the conditions to vesting of the awards, no compensation expense is recognized on these units until occurrence of the liquidity event. Upon the occurrence of a change in control, Keypoint will revalue the awards and will recognize expense for them at that time. Keypoint has evaluated the awards and deemed them to be a liability classified with no fair value recorded as of December 31, 2016 and 2017.

22. Related Party Transactions

Vencore pays an annual management fee to certain equity owners equal to the greater of \$2.0 million or 3% of the Vencore's Consolidated EBITDA, as defined in the Company's First Lien and Second Lien agreements. Vencore paid \$3.5 million in 2015 related to the annual management fee obligation. Prior to 2016, the annual management fee was not to exceed \$3.5 million; however with the amendment of the original first lien and second lien credit agreements in June 2016, this cap was removed. See "Note 18—Long-term Debt and Interest Rate Swap" for additional information on the debt refinancing transaction. Vencore paid \$3.7 million in 2016 related to the annual management fee obligation. Vencore's obligation for 2017 was \$3.4 million, of which \$2.0 million was paid as of December 31, 2016 with the remainder to be paid in 2018.

Keypoint reported \$1.0 million as financial and operational advisory fees to certain equity owners during 2016 and 2017. For the year ended December 31, 2017, Keypoint paid \$2.5 million to certain equity owners for support related to the \$215.0 million term loan financing. No payments to equity owners were made in 2017.

In 2015, Vencore paid \$0.5 million to certain equity owners for other services. In 2016, Vencore paid \$3.0 million to certain equity owners for support related to debt restructuring.

Additionally, two of Vencore's equity owners, TCW/Crescent Mezzanine, LLC (whose affiliates collectively own 3% of the Class A Membership Interests in The SI Organization Holdings LLC) and DLJ Investment Partners (whose affiliates collectively own 1% of the Class A Membership Interests in The SI Organization Holdings LLC) each held a portion of Vencore's \$175.0 million aggregate principal amount of 11.5% senior subordinated notes (see "Note 18—Long-term Debt and Interest Rate Swap"), which were extinguished during the year ended December 31, 2016.

Two members of Vencore's Strategic Advisory Board were affiliated with companies that provide consulting services to the Company. Payments to those companies amounted to \$40,000 during 2015. Of those amounts, the Chertoff Group (affiliated with Charles Allen) and JKH Consulting (affiliated with Jeffrey Harris) received \$ 20,000 each respectively.

Members of the Board of Managers of The SI Organization Holdings LLC received \$37,000, \$22,500, and \$42,500 of fees for service on that Board during 2015, 2016 and 2017, respectively.

Truven Health Analytics, which was previously controlled by Veritas Capital, provides contract labor to Vencore. Payments to Truven Health Analytics amounted to \$0.2 million and \$0.1 million during 2015 and 2016, respectively. No payments were made in 2017.

23. Proposed Merger

On October 11, 2017, the Company, announced that it had entered into an Agreement and Plan of Merger (the "Merger Agreement") with Perspecta, a Nevada corporation and a direct, wholly owned Subsidiary of DXC ("Perspecta SpinCo"), Ultra First VMS Inc., a Delaware corporation and a direct, wholly owned Subsidiary of Perspecta SpinCo ("Vencore Merger Corp"), Ultra Second VMS LLC, a Delaware limited liability company and a direct, wholly owned Subsidiary of Perspecta SpinCo ("Vencore Merger LLC"), Ultra KMS Inc., a Delaware corporation and a direct, wholly owned Subsidiary of Perspecta SpinCo ("KeyPoint Merger Sub"), Vencore, KeyPoint, The SI Organization Holdings LLC, a Delaware limited liability company, and KGS Holding LLC, a Delaware limited liability company.

The Merger Agreement provides that, at closing, KeyPoint Merger Sub will merge with and into KeyPoint (the "KeyPoint Merger"), with KeyPoint surviving the KeyPoint Merger, and concurrently Vencore Merger Corp will merge with and into Vencore (the "First Vencore Merger"), with Vencore surviving the First Vencore Merger, and immediately after the KeyPoint Merger and First Vencore Merger, Vencore will merge with and into Vencore Merger LLC (the "Second Vencore Merger" and, together with the KeyPoint Merger and the First Vencore Merger, the "Mergers"), with Vencore Merger LLC surviving the Second Vencore Merger.

At the effective time of the KeyPoint Merger, all of the outstanding shares of KeyPoint common stock will be converted into the right to receive, in the aggregate, merger consideration consisting of shares of Perspecta SpinCo common stock representing approximately 2.65% of the total number of shares of Perspecta SpinCo common stock outstanding (on a fully diluted basis) immediately after the effective time of the Mergers.

At the effective time of the First Vencore Merger, all of the outstanding shares of Vencore common stock will be automatically converted into the right to receive, in the aggregate, merger consideration consisting of (i) \$400.0 million in cash and (ii) shares of Perspecta SpinCo common stock representing approximately 11.38% of the total number of shares of Perspecta SpinCo common stock outstanding (on a fully diluted basis) immediately after the effective time of the Mergers.

The consummation of the Mergers is subject to certain customary and other conditions, including (i) the completion of the Separation of Perspecta SpinCo from DXC, the payment of the Distribution Consideration, and

the completion of the Distribution to DXC, (ii) the expiration of the applicable waiting period under the HSR Act, (iii) the effectiveness of the registration statement to be filed with the SEC and the approval for listing on the NYSE or the NASDAQ Global Market of the shares of Perspecta SpinCo common stock to be issued in the Distribution, (iv) the accuracy of the parties' representations and warranties and the performance of their respective covenants contained in the Merger Agreement, and (v) receipt of an opinion from DXC counsel that the Distribution should qualify as a tax-free spin-off.

The Merger Agreement contains customary and other representations, warranties and covenants, including a covenant for DXC and Perspecta SpinCo to use reasonable best efforts to consummate and make effective the Separation and payment of the Distribution Consideration (each as defined in the Merger Agreement) contemplated by the Distribution Agreement in accordance with its terms prior to October 1, 2018.

24. Subsequent Events

Subsequent events have been evaluated through March 16, 2018, the date these financial statements were issued or were available to be issued. No material subsequent events have occurred since December 31, 2017, that require recognition or disclosure in these financial statements.

Important Notice Regarding the Availability of Materials

DXC TECHNOLOGY COMPANY



DXC INVESTOR RELATIONS
1775 TYSONS BOULEVARD
TYSONS, VA 22102

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To effect the separation, DXC Technology Company will distribute all of the shares of common stock of Perspecta Inc. on a pro rata basis to the holders of DXC Technology Company common stock. Immediately following the distribution, Perspecta Inc. will be an independent company. DXC Technology Company is not soliciting proxy or consent authority from stockholders in connection with the separation. The DXC Technology Company materials consist of the Information Statement, including any supplements, that Perspecta Inc. has prepared in connection with the separation. You may view the materials online at www.materialnotice.com and easily request a paper or e-mail copy (see reverse side). To facilitate timely delivery, please make your request for a paper copy by five business days prior to the distribution date referenced in the Information Statement.

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