

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
For the fiscal year ended December 25, 2021

Or

Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission file number 1-10948

The ODP Corporation

(Exact Name of Registrant as Specified in its Charter)



Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

6600 North Military Trail, Boca Raton, Florida
(Address of Principal Executive Offices)

(561) 438-4800

(Registrant's telephone number, including area code)

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

85-1457062
(I.R.S. Employer
Identification No.)

33496
(Zip Code)

Title of Each class	Trading Symbol(s)	Name of Each Exchange on which Registered
Common Stock, par value \$0.01 per share	ODP	The NASDAQ Stock Market (NASDAQ Global Select Market)

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files): Yes No

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of common stock held by non-affiliates of the registrant as of June 27, 2021 (based on the closing market price of the common stock on the Composite Tape on June 25, 2021) was approximately \$2,542,594,095 (determined by subtracting from the number of shares outstanding on that date the number of shares held by affiliates of the registrant).

The number of shares outstanding of the registrant's common stock, as of the latest practicable date: At February 16, 2022, there were 48,486,904 outstanding shares of The ODP Corporation Common Stock, \$0.01 par value.

Documents Incorporated by Reference:

Certain information required for Part III of this Annual Report on Form 10-K is incorporated by reference to The ODP Corporation's definitive Proxy Statement for its 2022 Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission within 120 days after close of the registrant's fiscal year covered by this Annual Report.

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The order and presentation of this Annual Report on Form 10-K differ from that of the traditional U.S. Securities and Exchange Commission (“SEC”) Form 10-K format. We believe that our format better presents the relevant sections of this document and enhances readability. See “Form 10-K Cross-Reference Index” within Financial Statements and Supplemental Details for a cross-reference index to the traditional SEC Form 10-K format.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for the fiscal year ended December 25, 2021 (“Annual Report”) contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Reform Act”), that involve risks and uncertainties. These forward-looking statements include both historical information and other information that can be used to infer future performance. Examples of historical information include annual financial statements and the commentary on past performance contained in Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”). While certain information has specifically been identified as being forward-looking in the context of its presentation, we caution you that, with the exception of information that is historical, all the information contained in this Annual Report should be considered to be “forward-looking statements” as referred to in the Reform Act. Without limiting the generality of the preceding sentence, any time we use the words “estimate,” “project,” “intend,” “expect,” “believe,” “anticipate,” “continue,” “may,” “will” and similar expressions, we intend to clearly express that the information deals with possible future events and is forward-looking in nature. Certain information in MD&A is clearly forward-looking in nature, and without limiting the generality of the preceding cautionary statements, we specifically advise you to consider all of MD&A in the light of the cautionary statements set forth herein.

Much of the information in this Annual Report that looks towards future performance of The ODP Corporation and its consolidated subsidiaries is based on various factors and important assumptions about future events that may or may not actually come true. As a result, our operations and financial results in the future could differ materially and substantially from those we have discussed in this Annual Report. Significant factors that could impact our future results are provided in “Risk Factors” within Other Key Information in this Annual Report. Other risk factors are incorporated into the text of MD&A, which should itself be considered a statement of future risks and uncertainties, as well as management’s view of our businesses. We assume no obligation (and specifically disclaim any such obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

In this Annual Report, unless the context otherwise requires, the “Company,” “ODP,” “we,” “us,” and “our” refer to The ODP Corporation and its subsidiaries. On June 30, 2020, Office Depot, Inc., the predecessor of The ODP Corporation, implemented a holding company reorganization (the “Reorganization”), which resulted in The ODP Corporation becoming the parent company of, and the successor issuer to, Office Depot, Inc. For purposes of this Annual Report, references to “we,” or the “Company” or its management or business at any period prior to the holding company reorganization (June 30, 2020) refer to Office Depot, Inc. as the predecessor company and its consolidated subsidiaries and thereafter to those of The ODP Corporation and its consolidated subsidiaries, except as otherwise specified or to the extent the context otherwise indicates.

THE COMPANY

The ODP Corporation is a holding company that, through direct and indirect subsidiaries, maintains a fully integrated business-to-business (“B2B”) distribution platform of thousands of dedicated sales and technology service professionals, online presence and 1,038 retail stores, all supported by supply chain facilities and delivery operations. Through our banner brands Office Depot®, OfficeMax® and Grand & Toy®, as well as others, we offer our customers the tools and resources they need to focus on starting, growing and running their businesses.

We were incorporated in the state of Delaware in 1986 with the name Office Depot, Inc. and opened our first retail store in Fort Lauderdale, Florida on October 9, 1986. Since then, we have become a leading provider of business services and supplies, products and digital workplace technology solutions to small, medium-sized and enterprise businesses.

In March 2020, we completed a holding company reorganization, which provided us with the flexibility to simplify our legal structure and more closely align our operating assets to their respective operating channels. We have mostly completed that realignment. The reorganization created a new holding company, The ODP Corporation, which became the new parent company of Office Depot, Inc. Our long-term strategy is to grow our B2B business, serve our customers in the new normal environment, and help to shape the future of work. As part of this strategy, we are optimizing our retail footprint to provide coverage in key areas in the U.S. which will focus on supporting the needs of our business customers as well as our consumers. In addition, we are evolving our B2B business to include a new digital procurement platform, which has been named Varis, and is focused on transforming the B2B procurement and sourcing industry. This strategy to deliver customer-focused value through our integrated B2B distribution platform is founded on three strategic pillars:

TRANSFORM our business	STRENGTHEN our core	DISRUPT for our future
Develop B2B digital platform Business services growth Retail optimization	Grow B2B value proposition Low cost business model Leverage distribution assets	Expand product and service offerings Supply Chain as a service Analytics Excellence / AI

FISCAL YEAR

Our fiscal year results are based on a 52- or 53-week calendar ending on the last Saturday in December. Fiscal year 2021 had 52 weeks and ended on December 25, 2021. Fiscal year 2020 had 52 weeks and ended on December 26, 2020. Fiscal year 2019 had 52 weeks and ended on December 28, 2019. Certain subsidiaries operate on a calendar year basis; however, the reporting difference did not have a material impact on 2021 and the other periods presented.

AVAILABLE INFORMATION

We make available, free of charge, on the “Investor Relations” section of our website, www.officedepot.com, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as soon as reasonably practicable after we electronically file or furnish such materials to the United States Securities and Exchange Commission (“SEC”). The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers, such as the Company, that file electronically with the SEC. The address of that website is www.sec.gov.

Additionally, our corporate governance materials, including our bylaws, corporate governance guidelines, charters of the Audit, Compensation & Talent, and Corporate Governance & Nominating Committees, and our code of ethical behavior may be found under the “Investor Relations” section of our website, www.officedepot.com.

HOW WE ORGANIZE OUR BUSINESS

At December 25, 2021, our operations are organized into two reportable segments (or “Divisions”): Business Solutions Division, which we also refer to as BSD, and Retail Division. During the third quarter of 2021, our Board of Directors provided their alignment with management’s commitment to a plan to sell its CompuCom Division through a single disposal group. Accordingly, that business is presented as discontinued operations in this Annual Report. The sale of CompuCom was subsequently completed on December 31, 2021. Additional information regarding our Divisions and operations in geographic areas is presented in MD&A and in Note 5. “Segment Information” in Notes to Consolidated Financial Statements located in Financial Statements and Supplemental Details of this Annual Report.

BUSINESS SOLUTIONS DIVISION

The Business Solutions Division, or BSD, is the largest component of our integrated B2B distribution platform in terms of both revenue and customers, and provides our business customers with nationally branded and private branded office supply products and services, as well as adjacency products and services in the United States, Puerto Rico, the U.S. Virgin Islands, and Canada through a dedicated sales force, catalogs, telesales, and electronically through our Internet websites. Adjacency products primarily include cleaning and breakroom supplies, personal protective equipment, technology and furniture and our service offerings are comprised of copy and print services, product subscriptions, and managed print and fulfillment services. BSD includes the regional office supply distribution businesses we have acquired as part of our strategic transformation described within Our Strategy.

The Business Solutions Division is comprised of two main sales channels: contract and direct.

Our contract sales channel serves business customers including small, medium-sized, and enterprise businesses as well as schools and local, state and national governmental agencies. We also enter into agreements with consortiums to sell to entities across many industries, including government and non-profit entities, in non-exclusive buying arrangements.

Our direct sales channel primarily serves small to medium-sized business customers. Direct business customers can order products through our eCommerce platform, from our catalogs, or by phone. Website functionality provides consumers the convenience of using the loyalty program and offers suggestions by product ratings, pricing, and brand, among other features. Business customer orders are fulfilled through our supply chain. See “Supply Chain” within Our Strategy for additional information on our supply chain network.

In 2021, we continued to build on several initiatives to strengthen the core of our Business Solutions Division, including the following:

- improve our sales efficiency and value proposition with a targeted growth approach utilizing intelligence tools;
- focus on demand-generation via a shift to digital marketing and investment in our eCommerce platform;
- improve business customer acquisition and retention trends by realigning our sales organization;
- drive sales in our adjacency categories by adding dedicated selling and operational resources;
- partner with key vendors to add new products to our assortment of offerings; and
- increase our focus on services, including growing current offerings in technology and print, and identifying new services that complement our existing product and fulfillment capabilities.

RETAIL DIVISION

The Retail Division markets a broad assortment of merchandise through our chain of retail stores throughout the United States, Puerto Rico and the U.S. Virgin Islands. The retail stores operate under both the Office Depot and OfficeMax brands, though systems, processes and offerings have converged. We currently offer nationally branded and private branded office supply products as well as adjacency products such as cleaning and breakroom supplies, personal protective equipment, technology and furniture. See “Merchandising and Services” within Our Strategy for additional information on our product categories. In addition, our Retail Division offers a range of business-related services targeted to small businesses, technology support services as well as printing, copying, mailing and shipping services. The print needs for retail and business customers are also facilitated through our regional print production centers.

At the end of 2021, the Retail Division operated 1,038 retail stores. We have a broad representation across North America with the largest concentration of our retail stores in Texas, California, and Florida. Most of our retail stores are located in leased facilities that currently average over 20,000 square feet. To better serve our customers any way they choose to shop, we have a Buy Online-Pickup in Store (“BOPIS”) offering, and a 20 minute in-store or curbside pick-up guarantee for online orders placed two hours before our store closing time in all locations. We also offer same-day delivery in selected markets. Sales under these programs are serviced by store employees and fulfilled with store inventory and therefore are reported in the Retail Division results.

In 2019, we implemented the Business Acceleration Program, a company-wide, multi-year, cost reduction and business improvement program to systematically drive down costs, improve operational efficiencies, and enable future growth investments. In 2020, we implemented the Maximize B2B Restructuring Plan, a restructuring plan to realign our operational focus to support our “business-to-business” solutions and improve costs. The Maximize B2B Restructuring Plan is broader than restructuring programs we have implemented in the past and includes closing retail stores through the end of 2023. Since the implementation of the Business Acceleration Program and the Maximize B2B Restructuring plan, we have closed a total of 263 retail stores as a result of these plans. Refer to Note 3. “Merger, Restructuring and Other Activity” in Notes to Consolidated Financial Statements for additional information.

OUR CAPITAL

INTELLECTUAL PROPERTY

We currently operate under the brand names Office Depot®, OfficeMax® and Grand & Toy®, as well as others. We hold trademark registrations and pending applications domestically and worldwide for these operating brands as well as for a wide assortment of private branded products and services including “Office Depot,” “TUL®,” “Ativa®,” “Foray®,” “Realspace®,” “WorkPro®,” “Brenton Studio®,” “Highmark®,” “Executive Suite®,” “Juku®,” and others. We also hold issued patents and pending patent applications domestically and worldwide for certain private branded products, such as shredders, office chairs and writing instruments.

HUMAN CAPITAL MANAGEMENT

As of January 22, 2022, we had approximately 26,000 full-time and part-time employees from continuing operations as compared to 37,000 full-time and part-time employees in 2021. The year-on-year change is mainly attributable to the sale of our CompuCom Division, which was completed on December 31, 2021, as well as planned store closures and other cost cutting measures. We also utilize independent contractors and temporary personnel to supplement our workforce. Our key human capital management objectives are to attract, retain and develop talent to drive our strategy for long-term success.

Our Board of Directors provides oversight on certain human capital management matters, including through its Compensation & Talent Committee. The Compensation & Talent Committee is responsible for overseeing and providing perspective on our strategies and policies including with respect to diversity and inclusion, pay equity, recruiting, retention, training and development, and workplace environment and safety consistent with our culture, objectives and strategy. We believe in maintaining a supportive and inclusive culture that values everyone’s talents, life experiences and backgrounds. We are proud of the diversity within our Board of Directors, comprised of 33% female directors and 33% of directors who are People of Color. Our total workforce is 41% female.

Human capital development underpins our efforts to execute our strategy. We invest in our employees’ career growth and provide employees with a range of development opportunities. Due to the COVID-19 pandemic, our training and educational programs switched exclusively to virtual settings, and we swiftly pivoted to offer online courses to associates across all banners.

We have a demonstrated history of investing in our workforce through comprehensive and competitive compensation and benefits, and a focus on employee health and wellbeing.

During the COVID-19 pandemic, and based upon the guidance of the U.S. Centers for Disease Control and local health authorities, we maintain appropriate measures to help reduce the spread of infection to our employees and customers, including increased frequency of cleaning and sanitizing in our facilities. While we have reopened our corporate headquarters, certain employees who are able to work productively from home, continue to work remotely. We continue to have employees in our retail stores, customer support and distribution centers working on-site at our facilities, as well as technicians and field support on-site at customer locations. Employee business travel remains limited to only essential business needs.

OUR STRATEGY

STRATEGIC TRANSFORMATION

Since 2017, we have been undergoing a strategic business transformation to pivot ODP into an integrated B2B distribution platform, with the objective of expanding our product offerings to include value-added services for our customers and capture greater market share. As part of this transformation, we are evolving our B2B business and developing a new digital platform technology business, which has been named Varis, and aim to transform the B2B procurement and sourcing industry by filling the growing demand for a modern, trusted, digital B2B platform. In connection with our development efforts in this area, in January 2021, we acquired BuyerQuest Holdings, Inc. (“BuyerQuest”), a business services software company with an eProcurement platform. BuyerQuest’s operating results are included in our Varis segment.

We continue to expand our reach and distribution network through acquisitions of profitable regional office supply distribution businesses, serving small and mid-market customers. Many of these customers are in geographic areas that were previously underserved by our network. This has allowed for an effective and accretive means to expand our distribution reach, target new business customers and grow our offerings beyond traditional office supplies.

The operating results of the acquired office supply distribution businesses are combined with our operating results subsequent to their purchase dates and are included in our Business Solutions Division. Refer to Note 2. “Acquisitions” in Notes to Consolidated Financial Statements for additional information.

In January 2021, our Board of Directors announced that as a result of a business review of CompuCom, management had initiated a process to explore a value-maximizing sale of our CompuCom Division. The sale of CompuCom was completed on December 31, 2021. Refer to “Recent Developments” in MD&A for additional information on this sale.

In May 2021, our Board of Directors unanimously approved a plan to pursue a separation of the Company into two independent, publicly traded companies. When the plan was announced, we expected to structure it as a tax-free spin-off of our B2B related operations. Following further review, we determined that we should utilize the flexibility created by the holding company reorganization in 2020 to structure the separation as a tax-free spin-off of our consumer business, with us retaining our B2B related operations (the “Separation”), as further described below. We believe that this modified approach will be more efficient considering that it is expected that the majority of the Company’s current management team and Directors will remain with the B2B business which will continue to be owned by “The ODP Corporation.” In December 2021, our Board of Directors received a non-binding proposal from a third party other than USR Parent, Inc. to acquire our consumer business. The terms of that proposal are confidential. Our Board of Directors is carefully reviewing the proposals received to determine the course of action that it believes is in the best interests of the Company and its shareholders. As a result, we have determined to delay further work on the separation in order to avoid incurring potentially unnecessary separation costs while we focus on a potential sale of the consumer business. Refer to “Recent Developments” in MD&A for additional information on the progress of the Separation and Alternative Transaction for the Consumer Business.

SUPPLY CHAIN

We operate a network of distribution centers (“DCs”) and crossdock facilities across the United States, Puerto Rico and Canada. Our DCs fulfill customer orders, while crossdocks are smaller flow-through facilities where merchandise is sorted for distribution and shipped to fulfill the inventory needs of our retail locations. Our supply chain operations are also supported by a dedicated fleet of over 900 transportation vehicles. With our network of DCs, crossdocks, and vehicles, we are capable of providing next-day delivery services for approximately 98.5% of the population in the United States.

We continue to invest in our supply chain network, focusing on further enhancing our capabilities, increasing efficiency and lowering our costs. For example, we have grown our private fleet of transportation vehicles and introduced automated technology and robotics into our DCs and crossdock facilities. These investments position us to pursue opportunities beyond our traditional business, including utilizing our supply chain as a logistics service for third parties, including our customers.

DC and crossdock facilities’ costs, such as real estate, technology, labor, depreciation and inventory are allocated to the Business Solutions and Retail Divisions based on the relative services provided.

We believe that inventory held in our DCs is at levels sufficient to meet current and anticipated customer needs. Certain purchases are sent directly from the manufacturer, industry wholesaler or other primary supplier to our customers or retail stores. Some supply chain facilities and some retail locations also house sales offices, showrooms, and administrative offices supporting our contract sales channel.

As of December 25, 2021, we operated a total of 67 DCs and crossdock facilities from continuing operations in the United States and Canada. Refer to “Properties” within Other Key Information for more details.

Out-bound delivery and inbound direct import operations are currently provided by third-party carriers along with our own vehicles.

MERCHANDISING AND SERVICES

Our merchandising and services strategy is to meet our customers' needs by offering a broad selection of nationally branded office supply and adjacency products, as well as our own private branded products and services. The selection of our private branded products has increased in breadth and level of sophistication over time. We currently offer products under such labels, including Office Depot®, OfficeMax®, Foray®, Ativa®, TUL®, Realspace®, WorkPro®, Brenton Studio®, Highmark®, and Grand & Toy®.

We generally classify our offerings into four categories: (1) supplies, (2) technology, (3) furniture and other, and (4) copy and print. The supplies category includes products such as paper, writing instruments, office supplies, cleaning and breakroom supplies, personal protective equipment, and product subscriptions. The technology category includes products such as toner and ink, printers, computers, tablets and accessories electronic storage, and sales of third-party software, as well as technology support services offerings provided in our retail stores. The furniture and other category includes products such as desks, seating, luggage, gift cards, and warranties. The copy and print category includes offerings such as printing of business cards, banners, documents and promotional products, copying and photo services, and managed print and fulfillment services.

Total Company sales by offering were as follows:

	2021	2020	2019
Major revenue categories			
Supplies	45.1%	45.2%	49.2%
Technology	32.6%	34.0%	30.9%
Furniture and other	15.4%	14.4%	12.6%
Copy and print	6.9%	6.4%	7.3%
Total	100.0%	100.0%	100.0%

We buy substantially all of our merchandise directly from manufacturers, industry wholesalers, and other primary suppliers, and source our private branded products from domestic and offshore sources. We enter into arrangements with vendors that can lower our unit product costs if certain volume thresholds or other criteria are met. For additional discussion regarding these arrangements, refer to "Critical Accounting Policies" in MD&A.

We operate separate merchandising functions in the United States and Canada. Each function is responsible for selecting, purchasing, managing the product life cycle of our inventory, and managing pricing for all channels. Organizationally, they are aligned under the same Corporate leadership. In recent years, we have increasingly used global offerings across the regions to further reduce our product cost while maintaining product quality.

We operate a global sourcing office in Shenzhen, China, which allows us to better manage our product sourcing, logistics and quality assurance. This office consolidates our purchasing power with Asian factories and, in turn, helps us to increase the scope of our own branded offerings.

SALES AND MARKETING

We regularly assess consumer shopping behaviors in order to refine our strategy and curate the desired product assortment, shopping environment and purchasing methods. Identifying the most desirable and effective way to reach our customers and allowing them to shop through whichever channel they prefer will continue to be a priority. These efforts have impacted the extent, format and vehicles we use to advertise to and reach customers, our web page design, promotions and product offerings.

Our marketing programs are designed to create and capture demand, drive frequency of customer visits, increase customer spend across product lines, and build brand awareness. We have shifted a meaningful amount of our marketing efforts in recent periods to digital programs that increase demand generation, enhance audience targeting and include the use of social media platforms and digital videos. We also continue to advertise through traditional outbound marketing vehicles such as e-mail, direct mail and catalogues.

Our customer loyalty and other incentive programs provide our customers with rewards that can be applied towards future purchases or other incentives. These programs enable us to effectively market to our customers and may change as customer preferences shift.

We perform periodic competitive pricing analyses to monitor each market, and prices are adjusted as necessary to further our competitive positioning. We generally target our pricing to be competitive with other resellers of office products and providers of business services and technology solutions.

Our customer acquisition efforts regularly shift to vehicles and formats found to be most productive for reaching the targeted customer. We acquire customers through e-mail and social media campaigns, online affiliate connections, on-premises sales calls, outbound sales calls, and catalogs, among others. No single customer accounted for more than 10% of total consolidated sales or receivables in 2021, 2020 or 2019. Additionally, we believe that none of our business segments is dependent upon a single customer or a few customers, the loss of which would have a material adverse effect in our consolidated results of operations.

SEASONALITY

Our business experiences a certain level of seasonality, with sales generally trending lower in the second quarter, following the “back-to-business” sales cycle in the first quarter and preceding the “back-to-school” sales cycle in the third quarter and the holiday sales cycle in the fourth quarter for our Business Solutions and Retail Divisions. Certain working capital components may build and recede during the year reflecting established selling cycles. Business cycles can and have impacted our operations and financial position when compared to other periods. During 2021, the timing and duration of our back-to-business and back-to-school sales cycles were impacted by the COVID-19 pandemic. Refer to “COVID-19 Update” in MD&A for additional information.

INDUSTRY AND COMPETITION

We operate in a highly competitive environment. Our Business Solutions and Retail Divisions compete with office supply stores, wholesale clubs, discount stores, mass merchandisers, online retailers, food and drug stores, computer and electronics superstores and direct marketing companies. These companies compete with us in substantially all of our current markets. Increased competition in the office products markets, together with increased advertising, and Internet-based search tools, has heightened price awareness among end-users. Such heightened price awareness has led to sales and margin pressure on our office products categories and has impacted our results. In addition to price, we also compete based on customer service, the quality and extent of product selection and convenience. Other office supply retail companies market similarly to us in terms of store format, pricing strategy, product selection and product availability in the markets where we operate. Although we also compete through our private label offerings, some of our competitors are larger than us and have greater financial resources, which provide them with greater purchasing power, increased financial flexibility and more capital resources for expansion and improvement, which may enable them to compete more effectively. We anticipate that in the future we will continue to face high levels of competition from these companies.

We believe our robust field sales forces, dedicated customer service associates and the efficiency and convenience for our customers from our combined contract and direct sales distribution channels position our Business Solutions Division well to compete with other business-to-business office products distributors.

We believe our Retail Division competes favorably against competitors based on convenience, location, the quality of our customer service, our store layouts, the range and depth of our merchandise offering and our pricing.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

We believe that ESG issues play an essential role in the success of our Company, our industry and our communities, now and for future generations. We are committed to conducting our business in a sustainable manner and maintain policies and procedures that establish the foundation of our environmental responsibility program. We are committed to empowering our employees and suppliers at all levels to promote safe and environmentally responsible practices. In this regard, we focus on initiatives such as the reduction of facility energy consumption, reduction in transmission emissions in our private fleet, increasing sales of high-quality, sustainable products with greener attributes, improved recycling programs, and minimize the use of harmful chemicals. We utilize a “triple bottom line” approach as the framework for our sustainability initiatives: Planet (environmental), People (social) and Prosperity (economic). While the environmental and social aspects help us lower emissions, capture community impacts, and quantify other metrics, they ultimately impact our success by creating greater business value. Our governance model also includes Board oversight of our Sustainability Program through the Corporate Governance and Nominating Committee.

ODP continues to implement environmental programs in line with our stated environmental policy to “buy greener, be greener and sell greener” — including environmental sensitivity in our packaging, operations and sales offerings. Additional information on our green product offerings can be found at www.officedepot.com/buygreen.

We are subject to a variety of environmental laws and regulations related to historical OfficeMax operations of paper and forest products businesses and timberland assets. We record environmental and asbestos liabilities, and accrue losses associated with these obligations, when probable and reasonably estimable. We record a separate insurance recovery receivable when considered probable. Refer to “Legal Proceedings” within Other Key Information for more details.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following information is provided regarding the executive officers of ODP.

Gerry P. Smith — Age: 58

Mr. Smith was appointed to serve as our Chief Executive Officer and a Director in February 2017. Prior to joining us and since 2016, Mr. Smith was at Lenovo Group Limited (“Lenovo”) and previously served as Lenovo’s Executive Vice President and Chief Operating Officer since 2016 where he was responsible for all operations across Lenovo’s global product portfolio. Prior to assuming this role, also in 2016, Mr. Smith was Executive Vice President and President, Data Center Group. From 2015 to 2016, he served as Chief Operating Officer of the Personal Computing Group and Enterprise Business Group, and from 2013 to 2015 he served as President of the Americas. In these roles, Mr. Smith oversaw Lenovo’s fast-growing enterprise business worldwide and Lenovo’s overall business in the America’s region. Prior to that, Mr. Smith was President, North America and Senior Vice President, Global Operations of Lenovo from 2012 to 2013, and Senior Vice President of Global Supply Chain of Lenovo from 2006 until 2012 where he was responsible for end-to-end supply chain management. Prior to Lenovo, Mr. Smith held a number of executive positions at Dell Inc. from 1994 until 2006, as the company became a global leader in personal computers. Since August 2020, he serves on the Board of Directors of Arrow Electronics, Inc. and is a member of its Corporate Governance Committee.

N. David Bleisch — Age: 62

Mr. Bleisch was appointed to serve as our Executive Vice President, Chief Legal & Administrative Officer and Corporate Secretary in August 2018, and served as Executive Vice President, Chief Legal Officer and Corporate Secretary from September 2017 to August 2018. Prior to joining us, Mr. Bleisch was Senior Vice President and Chief Legal Officer for The ADT Corporation (“ADT”) from September 2012 through May 2016, where he managed the legal, environmental, health and safety, government affairs and corporate governance matters. Prior to assuming this role, Mr. Bleisch served in several leadership roles at Tyco International before being appointed Vice President and General Counsel of Tyco Security Solutions. Before joining Tyco, Mr. Bleisch was Senior Vice President, General Counsel and Corporate Secretary of The LTV Corporation. Before LTV, Mr. Bleisch was a partner with Jackson Walker LLP. He currently serves on the Board of Directors for the Education Foundation of Palm Beach County.

John W. Gannfors — Age: 56

Mr. Gannfors was appointed to serve as our Executive Vice President, Chief Merchandising and Supply Chain Officer in August 2018. Previously Mr. Gannfors served as Executive Vice President, Transformation, Strategic Sourcing and Supply Chain from July 2017 to August 2018, and as our Executive Vice President, Transformation and Strategic Sourcing when he joined the Company in April 2017. Prior to joining us, Mr. Gannfors served as Chief Procurement Officer at Lenovo, where he spent nearly ten years. Prior to assuming this role, Mr. Gannfors served in various leadership roles at Dell Inc. Mr. Gannfors began his career in Product Management at Lockheed Martin’s Calcomp division and Definicon Systems.

Terry Leeper — Age: 57

Mr. Leeper was appointed to serve as our Executive Vice President, Chief Technology Officer in July 2020. Prior to joining us, Mr. Leeper most recently served as Head of Product and Tech of Amazon Business from 2014 to 2020, and previously served as Director of Software Development for Amazon’s Retail Systems Platforms from 2011 to 2014. Prior to joining Amazon in 2011, Mr. Leeper was with Microsoft from 1999 to 2011, where he held positions of Director Platform Strategy in the United Kingdom and Director of Developer Division in China.

Zöe Maloney — Age: 49

Ms. Maloney was appointed to serve as our Executive Vice President, Chief Human Resources Officer in November 2021. Ms. Maloney joined us in February 2005 and has more than 25 years of experience in communications, organization and leadership development, and human resources and held several executive management roles including serving as our Senior Vice President, Human Resources from April 2017 to October 2021; Vice President, Human Resources from August 2011 to April 2017; and Senior Director, Communications & Engagement from 2010 to 2011. Prior to joining us, Ms. Maloney served in various management positions at Johnson & Johnson, 3-Dimensional Pharmaceuticals, and CDI International.

Kevin Moffitt — Age: 48

Mr. Moffitt was appointed to serve as our Executive Vice President, Chief Retail Officer in November 2018. Previously, Mr. Moffitt served as our Senior Vice President, Chief Retail Officer from January 2018 to November 2018; Senior Vice President, Chief Digital Officer in 2017; Senior Vice President, eCommerce & Direct Business Unit Leader from 2016 to 2017; and as our Vice President, eCommerce Product Management and Customer Experience from 2012 to 2016. Prior to joining us, he held several leadership roles at Dillard's Department Stores, Circuit City Stores and Putnam Investments.

Stephen M. Mohan — Age: 45

Mr. Mohan was appointed to serve as our Executive Vice President, Business Solutions Division in May 2019. Prior to joining us, Mr. Mohan served as Senior Vice President of Sales and Marketing, North American Transportation at XPO Logistics, Inc., a transportation and logistics company, from October 2017 to May 2019. Prior to joining XPO Logistics, Mr. Mohan served as Executive Vice President and Chief Sales Officer at Clean Harbors, an environmental, energy and industrial services company, from October 2016 to February 2017 and Senior Vice President, Field Sales for Republic Services, Inc., a waste collection and energy services company, from December 2013 to September 2016 and as Vice President, Sales from September 2009 to December 2013. His career began in 1999 at Reed Business Information, where he led acquisition and management of a large account portfolio for a leading provider of data and business information solutions.

D. Anthony Scaglione — Age: 49

Mr. Scaglione was appointed to serve as our Executive Vice President, Chief Financial Officer in July 2020. Prior to joining the Company, Mr. Scaglione served as Executive Vice President and Chief Financial Officer at ABM Industries Incorporated ("ABM"), where he was responsible for all financial, M&A, IT, tax, enterprise services and procurement functions from 2015 to 2020. Mr. Scaglione joined ABM as Vice President & Treasurer in 2009, and was Senior Vice President, Treasurer, Mergers & Acquisitions from 2012 to 2015. Prior to joining ABM, Mr. Scaglione held executive finance positions at CA Technologies from 2005 to 2009. Prior to CA Technologies, Mr. Scaglione served as a manager with Ernst & Young from 2001 to 2005.

RISK FACTORS

In addition to risks and uncertainties in the ordinary course of business that are common to all businesses, important factors that are specific to us and our industry could materially impact our business, financial condition, results of operations, cash flows and future performance and results. You should carefully consider the risks described below in our subsequent periodic filings with the SEC. The following risk factors should be read in conjunction with MD&A and Notes to Consolidated Financial Statements of this Annual Report.

Risks Related to Our Industry and Macroeconomic Conditions

Our business, results of operations and financial performance have been and will continue to be adversely affected by the ongoing COVID-19 pandemic, which could materially affect our future results.

The COVID-19 pandemic has continued to have widespread, rapidly evolving and unpredictable impacts on global society, economies, financial markets and consumer and business spending. With the rapid spread of COVID-19, globally and throughout the United States, federal, state and local authorities have continued to impose varying degrees of restrictions on social and commercial activities, including restrictions on travel, in an effort to prevent and slow the spread of the disease. These preventative measures taken by federal, state and local authorities to contain or mitigate the COVID-19 outbreak have caused, and continue to cause, disruption in the global economy, financial markets and in supply chains both globally and in the United States, which have adversely impacted our business, sales, financial condition and results of operations. Given that businesses still continue remote working arrangements and there is no certainty on return to office full time, this will impact our business and the demand for our products may decline. Furthermore, as a result of the COVID-19 pandemic, we temporarily closed certain offices (including our corporate headquarters) and implemented certain business travel restrictions, both of which have changed how we currently operate our business. While we have reopened our corporate headquarters and begun a transition back to working in person, some of our employees continue to work remotely, and an extended period of remote or hybrid work arrangements has and could continue to strain our business continuity plans and introduce operational risk, including but not limited to cybersecurity risks. We are monitoring the impact of the COVID-19 pandemic on all aspects of our business, including how it is and will continue to impact our customers, employees, suppliers, vendors, business partners and distribution channels.

We are unable to predict the duration or severity of the COVID-19 pandemic, despite the rollout of multiple vaccines. However, the longer it continues, we will continue experiencing volatility in consumer and business demand and corresponding declining sales patterns. In addition, a weaker U.S. economy, higher unemployment, and continuation of remote work and school arrangements will materially impact consumer spending. Decreased foot traffic at our stores and declining financial performance of or product demand from our business customers has and will continue to adversely impact future sales.

In addition, we have incurred and will continue to incur additional costs to maintain the health of our customers and employees, which may be significant, as we continue to implement additional operational changes in response to the COVID-19 pandemic. COVID-19 has also caused disruption in our supply chain which has resulted in higher supply chain costs to replenish inventory in our retail stores and distribution centers, and increased delivery costs as we shift from less commercial to more residential deliveries. The increased costs in our supply chain are likely to continue. Furthermore, we have experienced restricted product availability in certain categories, and while we have significantly increased our purchases across many categories, including new product categories, we have faced and may continue to face delays or difficulty sourcing certain products. In addition, we may fail to adequately identify certain regulatory requirements for new products which could negatively impact us.

The extent to which the COVID-19 pandemic impacts us will depend on numerous evolving factors and future developments that we are not able to predict, including: the severity and duration of the disease; recurrence of the outbreak; the surge of a novel strain of the disease; the possibility of a resulting global or regional economic downturn or recession; governmental, business and other actions, including any future government stimulus programs; the availability, distribution and use of effective treatments and the speed at which effective vaccines will be administered to a sufficient number of people to help control the spread of the virus; the duration of social distancing and shelter-in-place orders affecting foot traffic in our stores; the extent and duration of the effect on the economy, inflation, consumer confidence and consumer and business spending; the impact on consumers and businesses as forbearance and government support programs end; the continued stress on businesses due to shutdowns, operational changes and staffing issues; the impacts on our supply chain, including impacts to our distribution and logistics providers' ability to operate or increases in their operating costs, which have and may continue to have an adverse effect on our ability to meet customer demand and has resulted and could continue to result in an increase in our costs of production and distribution, including increased freight and logistics costs and other expenses; disruption to our third-party manufacturing partners and other vendors, including through

effects of facility closures, reductions in operating hours and work force, and real time changes in operating procedures, including for additional cleaning and disinfection procedures; the impact of the pandemic on economic activity; customer reduction in workforce and furloughs; the extent and duration of the effect on consumer confidence and spending, customer demand and buying patterns including spending on discretionary categories; the effects of additional store closures or other changes to our operations; the health of and the effect on our workforce and our ability to meet staffing needs in our stores, distribution facilities, and other critical functions, particularly members of our work force who have been quarantined as a result of exposure; any impairment in value of our tangible or intangible assets which could be recorded as a result of weaker economic conditions; and the potential effects on our internal controls including those over financial reporting as a result of changes in working environments such as shelter-in-place and similar orders that are applicable to our employees and business partners, among others. In addition, if the pandemic continues to create disruptions or turmoil in the credit or financial markets, it could adversely affect our ability to access capital on favorable terms and continue to meet our liquidity needs, all of which are highly uncertain and cannot be predicted.

In addition, we cannot predict the impact that COVID-19 will have on our customers, employees, suppliers, vendors, other business partners, and each of their financial conditions; however, any material effect on these parties could adversely impact us. The impact of COVID-19 may also exacerbate other risks discussed in this section, any of which could have a material effect on us. The situation surrounding COVID-19 remains fluid and additional impacts may arise that we are not aware of currently.

Our business is highly competitive and failure to adequately differentiate ourselves or respond to shifting consumer demands could continue to adversely impact our financial performance.

The office products market is highly competitive and we compete locally, domestically and internationally with office supply resellers, including Staples, Internet-based companies such as Amazon.com, mass merchandisers such as Wal-Mart and Target, wholesale clubs such as Costco, Sam's Club and BJ's, computer and electronics superstores such as Best Buy, food and drug stores, discount stores, and direct marketing companies. Some competitors may offer a broader assortment of products or have more extensive e-commerce channels, while others have substantially greater financial resources to devote to sourcing, marketing and selling their products. The ability of consumers to compare prices on a real-time basis using digital technology puts additional pressure on us to maintain competitive pricing. In addition, consumers are utilizing more technology and purchasing less paper, ink and toner, physical file storage and general office supplies. In order to achieve and maintain expected profitability levels, we must continue to grow by adding new customers and taking market share from competitors. If we are not able to compete effectively, it could negatively affect our business and results of operations.

The retail sector continues to focus on delivery services, with customers increasingly seeking faster, guaranteed delivery times and low-price or free shipping. Our ability to be competitive on delivery times and delivery costs depends on many factors, and our failure to successfully manage these factors and offer competitive delivery options could negatively impact the demand for our products and our profit margins. Because our business strategy is based on offering superior levels of customer service and a full range of services to complement the products we offer, our cost structure might be higher than some of our competitors, and this, in conjunction with price transparency, could put pressure on our margins.

Our quarterly operating results are subject to fluctuation due to the seasonality of our business.

Our business experiences a certain level of seasonality with sales generally trending lower in the second quarter, following the "back-to-business" sales cycle in the first quarter and preceding the "back-to-school" sales cycle in the third quarter and the holiday sales cycle in the fourth quarter. As a result, our operating results have fluctuated from quarter to quarter in the past, with sales and profitability being generally stronger in the second half of our fiscal year than the first half of our fiscal year. Factors that could also cause these quarterly fluctuations include: the pricing behavior of our competitors; the types and mix of products sold; the level of advertising and promotional expenses; severe weather; global pandemic; macroeconomic factors that affect consumer confidence and spending; and the other risk factors described in this section. Most of our operating expenses, such as occupancy costs and associate salaries, are not variable, and so short-term adjustments to reflect quarterly results are difficult. As a result, if sales in certain quarters are significantly below expectations, we may not be able to proportionately reduce operating expenses for that quarter, and therefore such a sales shortfall would have an adverse effect on our net income for the quarter.

Increases in fuel and other commodity prices could have an adverse impact on our earnings.

We operate a large network of retail stores, delivery centers, and delivery vehicles. As such, we purchase significant amounts of fuel needed to transport products to our retail stores and customers as well as shipping costs to import products from overseas. While we may hedge our anticipated fuel purchases, the underlying commodity costs associated with this transport activity is beyond our control and may be volatile. Disruptions in availability of fuel could cause our operating costs to rise significantly to the extent not covered by our hedges and could have a negative impact on our ability to operate our transportation networks. Additionally, other commodity prices, such as paper, may increase and we may not be able to pass along such costs to our customers. Fluctuations in the availability or cost of our energy and other commodity prices could have a material adverse effect on our profitability.

Increased transportation costs and changes in the relationships with independent shipping companies may have an adverse effect on our business.

We rely upon third party carriers for timely delivery of our product shipments. As a result, we are subject to carrier disruptions and increased costs due to factors that are beyond our control, including employee strikes, inclement weather and increased fuel costs. Any failure to deliver products to our customers in a timely and accurate manner may damage our reputation and brand and may cause us to lose customers. If our relationship with any of these third party carriers is terminated or impaired, or if any of these third parties are unable to ship products for us, we would be required to use alternative, and possibly more expensive, carriers for the shipment of products. We may be unable to engage alternative carriers on a timely basis or on terms favorable to us, if at all, which may have an adverse effect on our results of operations, financial condition and cash flows. Changes in shipping terms, or the inability of these third party shippers to perform effectively (whether as a result of mechanical failure, casualty loss, labor stoppage, or any other reason), may have an adverse effect on our results of operations, financial condition and cash flows. Additionally, deterioration of the financial condition of these third-party carriers may have an adverse effect on our shipping costs. Any future increases in shipping rates may have an adverse effect on our results of operations, financial condition and cash flows, particularly if we are unable to pass on these higher costs to our customers.

Macroeconomic conditions have had and may continue to adversely affect our business and financial performance.

Our operating results and performance depend significantly on economic conditions and their impact on business and consumer spending. In the past, the decline in business and consumer spending has caused our comparable retail store sales to decline from prior periods. The global macroeconomic outlook continues to remain uncertain due to a variety of factors, including the Omicron variant, labor shortages, supply chain disruptions and inflation, and the impacts of the COVID-19 pandemic may continue even after the outbreak has subsided and containment measures are lifted, all of which may continue to exacerbate many of the other risks described in this “Risk Factors” section, any of which could have a material effect on us. Our business and financial performance may continue to be adversely affected by current and future economic conditions, including, without limitation, the level of consumer debt, high levels of unemployment, higher interest rates and the ability of our customers to obtain credit, which may cause a continued or further decline in business and consumer spending.

Catastrophic events could adversely affect our operating results.

The risk or actual occurrence of one or more catastrophic events could have a material adverse effect on our financial performance. Such events may be caused by, for example:

- natural disasters or extreme weather events such as climate change, hurricanes, tornadoes, floods and earthquakes;
- diseases, epidemics or pandemics (such as the ongoing COVID-19) that may affect our employees, customers or partners;
- floods, fire or other catastrophes affecting our properties;
- terrorism, civil unrest or other conflicts; or
- extended power outages.

As noted above, the COVID-19 pandemic has had, and may continue to have, a material adverse impact on our business and results of operations. Such catastrophic events could result in physical damage to, or complete loss of, one or more of our properties, the closure of one or more stores, the lack of an adequate work force in the market, changes in the purchasing patterns of consumers (including the frequency of visits by consumers to physical retail locations, whether as a result of limitations on large gatherings, travel and movement limitations or otherwise) and in consumers’ disposable income, the temporary or long-term disruption in the supply of products from some suppliers, the disruption in the transport of goods from overseas, the disruption or delay in the delivery of goods to our distribution and fulfillment centers or stores within the country, the reduction in the availability of products in our stores and can disrupt or disable portions of our supply chain and distribution network. They can also affect our information systems, resulting in disruption to various aspects of our operations, including our ability to transact with customers and fulfill orders.

Furthermore, the long-term impacts of climate change, whether involving physical risks (such as extreme weather conditions) or transition risks (such as regulatory or technology changes) are expected to be widespread and unpredictable. These changes over time could affect, for example, the availability and cost of certain consumer products, commodities and energy (including utilities), which in turn may impact our ability to manufacture or procure certain goods required for the operation of our business at the quantities and levels we require. As a consequence of these or other catastrophic events, we may endure interruption to our operations or losses of property, equipment or inventory, which would adversely affect our revenue and profitability. For example, hurricanes can disrupt operations in the southeastern United States where a heavy concentration of our customers are located, and negatively impact sales in both our Business Solutions and Retail Divisions.

Risks Related to our Business and Operations

Our proposed spin-off of Office Depot may not be completed on the currently contemplated timeline or at all and may not achieve the intended benefits.

We previously announced our intent to separate our consumer business, Office Depot, into an independent, publicly traded company during the first half of 2022. The spin-off is subject to certain conditions, including final approval by our board of directors, receipt of customary assurances regarding the intended tax-free nature of the transaction and the filing and effectiveness of a registration statement with the U.S. Securities and Exchange Commission. Unanticipated developments, including possible delays in obtaining various regulatory approvals or clearances, uncertainty of the financial markets and challenges in establishing infrastructure or processes, could delay or prevent the proposed spin-off or cause the proposed spin-off to occur on terms or conditions that are less favorable or different than expected. Even if the spin-off is completed, we may not realize some or all of the anticipated benefits from the spin-off. Expenses incurred to accomplish the proposed spin-off may be significantly higher than what we currently anticipate. Executing the proposed spin-off also requires significant time and attention from management, which could distract them from other tasks in operating our business. Following the proposed spin-off, the combined value of the common stock of the two publicly traded companies may not be equal to or greater than what the value of our common stock would have been had the proposed spin-off not occurred. If the proposed spin-off is completed, our diversification of revenue sources will diminish due to the separation of the consumer business, and it is possible that our business, financial condition, results of operations and cash flows may be subject to increased volatility as a result. In January 2022, we announced that the Board of Directors determined to delay the public company separation to evaluate a potential sale of the Company's consumer business.

We may not be successful in negotiating and consummating a strategic transaction involving our consumer business on favorable terms, or at all.

In November 2021, USR Parent, Inc., the parent company of Staples and a portfolio company of Sycamore Partners, reaffirmed its non-binding proposal to acquire the Company's consumer business, including the Office Depot and OfficeMax retail stores business, the Company's direct channel business (officedepot.com), and the Office Depot and OfficeMax intellectual property, including all brand names, for \$1 billion in cash. In December 2021, the Board of Directors received a non-binding proposal from another third party to acquire the Company's consumer business. The terms of that proposal are confidential. Either of these transactions present substantial risk including:

- the risk that we are unable to obtain the necessary regulatory or governmental approvals to close a transaction;
- we may not receive approvals granted on terms that are acceptable to us;
- we may be unable to complete the sale on terms favorable to us; and
- adverse effects on existing business relationships with suppliers and customers.

Any of these factors could adversely affect our product sales, financial condition and results of operations.

Our focus on services exposes us to certain risks that could have a material adverse impact on our revenue and profitability as well as our reputation.

Our transformation into a more business services-driven platform that delivers a full range of services complements our product offerings, including consultation, design, delivery, installation, set-up, protection plans, repair, and technical support. These services can differentiate us from many of our competitors and provide an opportunity to deliver superior customer service while generating additional revenue and profit. However, designing, marketing and executing these services successfully and consistently is subject to risks. These risks include, for example:

- increased labor expense to fulfill our customer promises, which may be higher than the related revenue;
- unpredictable failure rates and related expenses;
- employees in transit using company vehicles to deliver products or services to customers; these factors may increase our scope of liability related to our employees' actions; and
- employees having access to customer devices, including the information held on those devices, which may increase our responsibility for the security of those devices and the data they hold.

As customers increasingly migrate to websites and mobile applications to initiate transactions, it is inherently more difficult to demonstrate and explain the features and benefits of our service offerings, which can lead to a lower revenue mix of these services. Our ability to compete successfully depends on our ability to ensure a continuing and timely introduction of innovative new products,

services and technologies to the marketplace. If we are unable to pivot into a more business services-driven platform and sell innovative new products, our ability to gain a competitive advantage could be adversely affected.

These expanded risks increase the complexity of our business and places significant responsibility on our management, employees, operations, systems, technical expertise, financial resources, and internal financial and regulatory control and reporting functions. In addition, new initiatives we test through trials and pilots may not scale or grow effectively or as we expected, which could limit our growth and negatively affect our operating results. They may also involve significant laws or regulations that are beyond our current expertise.

If we are unable to successfully refine and execute our business strategies, our operating performance could be significantly impacted.

Our ability to both refine our operating and strategic plans and execute the business activities associated with our refined plans, including cost savings initiatives, could impact our ability to meet our operating performance targets.

Our business strategy also includes making acquisitions and investments that complement our existing business as well as strategic divestitures to maximize value. These acquisitions and investments or divestitures could be unsuccessful or consume significant resources, which could adversely affect our operating results.

Our ability to achieve the benefits we anticipate from acquisitions we make will depend in large part upon whether we are able to leverage the capabilities of the acquired companies to grow revenue across our combined organization, manage the acquired company's business, execute our strategy in an efficient and effective manner and realize anticipated cost synergies. In addition, private companies recently acquired which were previously not subject to Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX"), may lack certain internal controls, which could ultimately affect our ability to ensure compliance with the requirements of SOX.

Because our business and the business of acquired companies may differ operationally, we may not be able to effectively manage or oversee the operations of the acquired company's business smoothly or successfully and the process of achieving expected revenue growth and cost synergies may take longer than expected. If we are unable to successfully manage the operations of the acquired company's business, we may be unable to realize the revenue growth, cost synergies and other anticipated benefits we expect to achieve as a result of the acquisition.

While our business strategy may contemplate divestitures of certain business units, we may not be able to complete these divestitures on terms favorable to us, on a timely basis, or at all. Furthermore, desired or proposed divestitures of business units may not meet all of our strategic objectives or our growth or profitability targets. Our divestiture activities, or related activities such as reorganizations, restructuring programs and transformation initiatives, may require us to recognize impairment charges or to take action to reduce costs that remain after we complete a divestiture. Gains or losses on the sales of, or lost operating income from those businesses may also affect our profitability.

We have retained responsibility for liabilities of acquired companies that may adversely affect our financial results.

OfficeMax sponsors defined benefit pension plans covering certain terminated employees, vested employees, retirees, and some active employees (the "Pension Plans"). The Pension Plans are frozen and do not allow new entrants; however, they are underfunded and we may be required to make contributions in subsequent years in order to maintain required funding levels. Required future contributions could have an adverse impact on our cash flows and our financial results. Additional future contributions to the Pension Plans, financial market performance and Internal Revenue Service ("IRS") funding requirements could materially change these expected payments.

As part of the sale of our business in Europe, we have retained responsibility for the defined benefit plan covering certain employees in the United Kingdom. While the plan was in a net asset position at the end of 2020, changes in assumptions and actual experience could result in that plan being considered underfunded in the future. Additionally, we have agreed to make contributions to the plan as required by the trustees. Financial performance of the plan and future valuation assumptions could materially change the expected payments. In addition, as part of the sale transaction, the purchaser shall indemnify and hold us harmless in connection with any guarantees in place as of September 23, 2016, and given by us in respect of the liabilities or obligations of the European business. Further, if the purchaser wishes to terminate any such guarantee or cease to comply with any underlying obligation which is subject to such a guarantee, the purchaser shall obtain an unconditional and irrevocable release of the guarantee. However, we are contingently liable in the event of a breach by the purchaser of any such obligation.

In connection with OfficeMax's sale of its paper, forest products and timberland assets in 2004, OfficeMax agreed to assume responsibility for certain liabilities of the businesses sold. These obligations include liabilities related to environmental, asbestos, health and safety, tax, litigation and employee benefit matters. Some of these retained liabilities could turn out to be significant, which

could have an adverse effect on our results of operations. Our exposure to these liabilities could harm our ability to compete with other office products distributors who would not typically be subject to similar liabilities.

If we are unable to successfully maintain a relevant experience for our customers, our results of operations could be adversely affected.

With the increasing use of digital technology to shop in our retail stores and online, we rely on our omni-channel capabilities to provide a seamless shopping experience to our customers and to keep pace with new developments by our competitors. If we are unable to attract and retain team members or contract third parties with the specialized skills needed to support our omni-channel platforms or are unable to implement improvements to our customer-facing technology in a timely manner, our ability to compete and our results of operations could be adversely affected. In addition, if our website and our other customer-facing technology systems do not function as designed, the customer experience could be negatively affected, resulting in a reduction of the amount of traffic in our stores, a loss of customer confidence and satisfaction, and lost sales, which could adversely affect our reputation and results of operations.

Moreover, changes in customer preferences have reduced, and may continue to reduce, demand for our products and services in certain markets. If we fail to manage changes in our relationships with our long-term customers, it may have an adverse effect on our financial results.

Many end markets are experiencing changes due to technological progress, an evolving workplace and changes in customer preferences. In order to grow and remain competitive, we will need to continue to adapt to future changes in technology, enhance our existing offerings and introduce new offerings to address the changing demands of customers. If we are unable to continue to utilize new and existing technologies to adapt to new distribution methods and address changing customer preferences, our business may be adversely affected.

Technological developments and changing demands of customers may require additional investment in new equipment and technologies. We must monitor changes in markets and develop new solutions to meet customers' needs, otherwise we may not be able to keep or grow our customer base. The development of such solutions may be costly and there is no assurance that these solutions will be accepted by our customers. If we are unable to adapt to technological changes on a timely basis or at an acceptable cost, customers' demand for our products and services may be adversely affected.

There can be no assurance that our customers will continue to purchase our products in the same mix or quantities or on the same terms as in the past. The loss of or disruptions related to customers may result in a reduction in sales or change in the mix of products we sell to our customers. This may adversely affect our results of operations, financial condition and cash flows. Additionally, disputes with significant suppliers, including those related to pricing or performance, may adversely affect our ability to supply products to our customers and also our results of operations, financial condition and cash flows.

We have incurred significant impairment charges and we continue to incur impairment charges.

We regularly assess past performance and make estimates and projections of future performance at an individual store and reporting unit level. Reduced sales, our shift in strategy to be less price promotional, as well as competitive factors and changes in consumer spending habits resulted in a downward adjustment of anticipated future cash flows for the individual retail stores that resulted in the impairment. We continue to foresee challenges in the market and economy that could adversely impact our operations. To the extent that forward-looking sales and operating assumptions are not achieved and are subsequently reduced, or if we implement the more aggressive store downsizing strategy contemplated by our Maximize B2B Restructuring, including allocating capital to further modify store formats, additional impairment charges may result. We have also recognized impairment charges on retail store related assets, including operating lease right-of-use ("ROU") assets, that were deemed unrecoverable based on the Comprehensive Business Review and the Business Acceleration Program. Additional asset impairments may be recognized based on future decisions and conditions.

Changes in the numerous variables associated with the judgments, assumptions and estimates we make, in assessing the appropriate valuation of our goodwill and other intangible assets of our reporting units, including changes resulting from macroeconomic, or disposition of components within reporting units, could in the future require a reduction of goodwill and recognition of related non-cash impairment charges. If we were required to further impair our store assets, our goodwill or intangible assets of our reporting units, it could have a material adverse effect on our business and results of operations.

In addition, if we experience a decline in our market capitalization in the future, and if the decline becomes sustained or future declines in macroeconomic factors or business conditions occur, we could incur impairment charges in future periods.

Our failure to effectively manage our real estate portfolio may negatively impact our operating results.

Effective management of our real estate portfolio is critical to our omni-channel strategy. Most of our properties are subject to long-term leases. As such, it is essential that we effectively evaluate a range of factors that may influence the success of our long-term real estate strategy. Such factors include but are not limited to:

- changing patterns of customer consumption and behavior, particularly in light of an evolving omni-channel environment;
- the appropriate number of retail stores in our portfolio;
- the formats and sizes of our retail stores;
- the locations of our retail stores;
- the interior layouts of our retail stores;
- the trade area demographics and economic data of each of our retail stores;
- the local competitive positioning in and around our retail stores;
- the primary term lease commitment for each retail store;
- the long-term lease option coverage for each retail store;
- the occupancy cost of our retail stores relative to market rents;
- our supply chain network strategy; and
- our ongoing network of service locations.

The consequences for failure to effectively evaluate these factors or negotiate appropriate terms or anticipate changes could include:

- having to close retail stores and abandon the related assets, while retaining the financial commitments of the leases;
- incurring significant costs to remodel or transform our retail stores;
- having retail stores, supply chain or service locations that no longer meet the needs of our business; and
- bearing excessive lease expenses.

These consequences could have a materially adverse impact on our profitability, cash flows and liquidity.

For leased property, the financial impact of exiting a location varies greatly depending on, among other factors, the terms of the lease, the condition of the local real estate market, demand for the specific property, our relationship with the landlord and the availability of potential sub-lease tenants. It is difficult for us to influence some of these factors, and the costs of exiting a property can be significant. In addition to rent, we are still responsible for the maintenance, taxes, insurance and common area maintenance charges for vacant properties until the lease commitment expires or is terminated. Similarly, when we enter into a contract with a tenant to sub-lease property, we usually retain our obligations as the master lessor. This leaves us at risk for any remaining liability in the event of default by the sub-lease tenant.

We do a significant amount of business with government entities, various purchasing consortiums, and through sole- or limited- source distribution arrangements, and loss of this business could negatively impact our results.

One of our largest customer groups consists of various governmental entities, government agencies and non-profit organizations, such as purchasing consortiums. Contracting with U.S. state and local governments is highly competitive, subject to federal and state procurement laws, requires more restrictive contract terms and can be expensive and time-consuming. Violations of these laws and regulations could result in fines, criminal sanctions, the inability to participate in existing or future government contracting and other administrative sanctions. Any such penalties could result in damage to the Company's reputation, increased costs of compliance and/or remediation and could adversely affect the Company's financial condition and results of operations. Moreover, bidding on government contracts often requires that we incur significant upfront time and expense without any assurance that we will win a contract. Our ability to compete successfully for and retain business with federal, state and local governments is highly dependent on cost-effective performance. Our business with governmental entities and agencies is also sensitive to changes in national and international priorities and their respective budgets, which in the current economy continue to decrease.

We also service a substantial amount of business through agreements with purchasing consortiums and other sole- or limited-source distribution arrangements. If we are unsuccessful in retaining these customers, or if there is a significant reduction in sales under any of these arrangements, it could adversely impact our business and results of operations.

Failure to attract and retain qualified personnel could have an adverse impact on our business.

Our performance is highly dependent on attracting, retaining and engaging appropriately qualified employees in our retail stores, service centers, distribution centers, field and corporate offices. The market for qualified employees, with the right talent and competencies, is highly competitive. Factors that affect our ability to maintain sufficient numbers of qualified employees include employee morale, our reputation, unemployment rates, competition from other employers, availability of qualified personnel and our ability to offer appropriate compensation and benefits packages. We operate in a competitive labor market and there is a risk that market increases in compensation and benefits costs could have a material adverse effect on our profitability. Failure to recruit or retain qualified employees, and the inability to keep our supply of skills and resources in balance with customer demand, may impair our efficiency and effectiveness, our ability to pursue growth opportunities and adversely affect our results of operations. In addition, a significant amount of turnover of our executive team or other employees in key positions with specific knowledge relating to us, our operations and our industry, may negatively impact our operations.

We depend on our executive management team and other key personnel, and the inability to recruit and retain certain personnel could adversely affect our performance and result in the loss of management continuity and institutional knowledge.

Although certain members of our executive team have entered into agreements relating to their employment with us, most of our key personnel are not bound by employment agreements, and those with employment or retention agreements are bound only for a limited period of time. If we are unable to retain our key personnel, we may be unable to successfully develop and implement our business plans, which may have an adverse effect on our business and results of operations.

Failure to maintain our reputation and brand at a high level, may adversely impact our financial performance.

Effective marketing efforts play a crucial role in maintaining our reputation to attract new customers and retain existing customers. Failure to execute effective marketing efforts or misjudgment of consumer responses to our existing or future promotional activities, may adversely impact our financial performance.

Failure to detect, prevent, or mitigate issues that might give rise to reputational risk or failure to adequately address negative publicity or perceptions could adversely impact our reputation, business, results of operations, and financial condition. Issues that might pose a reputational risk include an inability to achieve our omni-channel goals, including providing an e-commerce and delivery experience that meets the expectations of consumers; failure of our cyber-security measures to protect against data breaches; product liability and product recalls; our social media activity; failure to comply with applicable laws and regulations; and any of the other risks enumerated in these risk factors. In addition, information concerning us, whether or not true, may be instantly and easily posted on social media platforms at any time, which information may be adverse to our reputation or brand. The harm may be immediate without affording us an opportunity for redress or correction. If our reputation or brand is damaged, our customers may refuse to continue shopping with us, potential employees may be unwilling to work for us, business partners may be discouraged from seeking future business dealings with us and, as a result, our operations and financial results may suffer.

Our exclusive brand products are subject to several additional product, supply chain and legal risks that could affect our operating results.

In recent years, we have substantially increased the number and types of products that we sell under our own brands including Office Depot®, OfficeMax® and other proprietary brands. While we have focused on the quality of our proprietary branded products, we rely on third parties to manufacture these products. Such third-party manufacturers may prove to be unreliable, the quality of our globally sourced products may vary from our expectations and standards, such products may not meet applicable regulatory requirements which may require us to recall those products, or such products may infringe upon the intellectual property rights of third parties. Moreover, as we seek indemnities from the manufacturers of these products, the uncertainty of realization of any such indemnity and the lack of understanding of U.S. product liability laws in certain foreign jurisdictions make it more likely that we may have to respond to claims or complaints from our customers.

Our business may be adversely affected by the actions of and risks related to the activities of our third-party vendors.

We purchase products for resale under credit arrangements with our vendors and have been able to negotiate payment terms that are approximately equal in length to the time it takes to sell the vendor's products. When the global economy is experiencing weakness as it has in the past, vendors may seek credit insurance to protect against non-payment of amounts due to them. If we experience declining operating performance and severe liquidity challenges, vendors may demand that we accelerate our payment for their products or require cash on delivery, which could have an adverse impact on our operating cash flow and result in severe stress on our

liquidity. Borrowings under our existing credit facility could reach maximum levels under such circumstances, causing us to seek alternative liquidity measures, but we may not be able to meet our obligations as they become due until we secure such alternative measures.

We use and resell many manufacturers' branded items and services. We rely on key vendors who may have a large market share of the categories of products and services that we resell in order to provide best in class solutions to our customers. As a result, we are dependent on the availability and pricing of key products and services, including but not limited to ink, toner, paper and technology products and key vendors could change their business strategies or models and no longer offer products or services of value to our customers. As a reseller, we cannot control the supply, design, function, cost or vendor-required conditions of sale of many of the products we offer for sale. Disruptions in the availability of these products or the products and services we provide to our customers coupled with our inability to quickly pivot and find new products and services to our portfolio of offerings may adversely affect our sales and result in customer dissatisfaction. Further, we cannot control the cost of manufacturers' products, and cost increases must either be passed along to our customers or will result in erosion of our earnings.

Failure to identify desirable products and make them available to our customers when desired and at attractive prices could have an adverse effect on our business and our results of operations. In addition, a material interruption in service by the carriers that ship goods within our supply chain may adversely affect our sales. Many of our vendors are small or medium-sized businesses which are impacted by current macroeconomic conditions, both in the U.S., Asia and other locations. We may have no warning before a vendor fails, which may have an adverse effect on our business and results of operations.

We also engage key third-party business partners to support various functions of our business, including but not limited to, information technology, web hosting and cloud-based services, human resource operations, customer loyalty programs, gift cards, customer warranty, delivery and installation, technical support, transportation and insurance programs. Any material disruption in our relationship with key third-party business partners or any disruption in the services or systems provided or managed by third parties could impact our revenues and cost structure and hinder our operations, particularly if a disruption occurs during peak revenue periods.

Product safety and quality concerns could have a material adverse impact on our revenue and profitability.

If the products we sell fail to meet applicable safety standards or our customers' expectations regarding safety and quality, we could be exposed to increased legal risk and our reputation may be damaged. Failure to take appropriate actions in relation to product recalls could lead to breaches in laws and regulations and leave us susceptible to government enforcement actions or private litigation. Recalls of products, particularly when combined with lack of available alternatives or our difficulty in sourcing sufficient volumes of replacement products, could also have a material adverse impact on our revenue and profitability.

Disruption of global sourcing activities, evolving foreign trade policy (including tariffs imposed on certain foreign made goods) could negatively impact the cost and availability of our products.

Economic and civil unrest in areas of the world where we source products, as well as shipping and dockage issues, could adversely impact the availability or cost of our products, or both. Most of our goods imported to the U.S. arrive from Asia through ports located on the U.S. west coast and we are therefore subject to potential disruption due to labor unrest, security issues or natural disasters affecting any or all of these ports. In addition, we purchase and source products from a wide variety of suppliers, including from suppliers overseas, particularly in China where we maintain a global sourcing office to facilitate product sourcing. Diplomatic tensions, between China and the US, and developments in Hong Kong and Taiwan, alongside other potential areas of tension, may affect us by creating regulatory, reputational and market risks. For example, the U.S. government has imposed various sanctions and trade restrictions on Chinese persons and companies, and the US continues to advance the development of its framework for strategic competition with China. In response to foreign sanctions and trade restrictions, China has announced a number of sanctions, trade restrictions and laws that could impact us. Such sanctions and trade restrictions target or provide authority to target foreign individuals and companies, and have been primarily imposed against certain public officials associated with the implementation of foreign sanctions against China. The new laws provide a legal framework for further imposing such sanctions, prohibit implementing or complying with foreign sanctions against China and create private rights of action in Chinese courts for damages caused by third parties implementing foreign sanctions or other discriminatory measures. These and any future measures and countermeasures that may be taken by the US, China may increase our cost of goods sold or reduce the supply of the products available to us. There is no assurance that any such increased costs could be passed on to our customers, or that we could find alternative products from other sources at comparable prices. To the extent that we are subject to more challenging regulatory environments and enhanced legal and regulatory requirements, such exposure could have a material adverse effect on our business, including the added cost of increased compliance measures that we may determine to be necessary.

In light of the trade tensions between the U.S. and China, which began escalating since 2018, we have incurred incremental costs related to trade tariffs on inventory we purchase from China, but such costs have not had a material impact on our results of operations. We continue to monitor and evaluate the potential impact of the effective and proposed tariffs as well as other recent

changes in foreign trade policy on our supply chain, costs, sales and profitability and have implemented strategies to mitigate such impact, including changes to our contracting model, alternative sourcing strategies and selective price increase pass-through efforts. If any of these events continue as described, they could disrupt the movement of products through our supply chain or increase their cost. In addition, while we may be able to shift our sourcing options, executing such a shift would be time consuming and would be difficult or impracticable for many products and may result in an increase in our manufacturing costs. Substantial regulatory uncertainty exists regarding foreign trade and trade policy, both in the United States and abroad. The adoption and expansion of trade restrictions, retaliatory tariffs, or other governmental action related to tariffs or international trade agreements or policies has the potential to adversely impact demand for our products, our costs, our customers, our suppliers, and/or the U.S. economy, which in turn could adversely impact our results of operations and business.

Risks Related to Our Indebtedness and Liquidity

Covenants in our credit facility could adversely impact our operations.

Our asset-based credit facility contains a fixed charge coverage ratio covenant that is operative only when borrowing availability is below 10% of the Borrowing Base (as defined in Note 11. “Debt” in Notes to Consolidated Financial Statements) or prior to a restricted transaction, such as incurring additional indebtedness, acquisitions, dispositions, dividends, or share repurchases if we do not have the required liquidity. The agreement governing our credit facility (the “Third Amended Credit Agreement” as defined in Note 11. “Debt” in Notes to Consolidated Financial Statements) also contains representations, warranties, affirmative and negative covenants, and default provisions. A breach of any of these covenants could result in a default under our Third Amended Credit Agreement. Upon the occurrence of an event of default under our Third Amended Credit Agreement, the lenders could elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit. If the lenders were to accelerate the repayment of borrowings, we may not have sufficient assets to repay our asset-based credit facility and our other indebtedness. Also, should there be an event of default, or a need to obtain waivers following an event of default, we may be subject to higher borrowing costs and/or more restrictive covenants in future periods. Acceleration of our obligations under our credit facilities would permit the holders of our other material debt to accelerate their obligations. We were in compliance with all applicable covenants as of December 25, 2021.

Risks Related to Legal and Regulatory Compliance

We are subject to legal proceedings and legal compliance risks.

We are involved in various legal proceedings, which from time to time may involve class action lawsuits, state and federal governmental inquiries, audits and investigations, environmental matters, employment, tort, state false claims act, consumer litigation and intellectual property litigation. At times, such matters may involve directors and/or executive officers. Certain of these legal proceedings, including government investigations, may be a significant distraction to management and could expose our Company to significant liability, including settlement expenses, damages, fines, penalties, attorneys’ fees and costs, and non-monetary sanctions, including suspensions and debarments from doing business with certain government agencies, any of which could have a material adverse effect on our business and results of operations. For a description of our legal proceedings, refer to Note 17. “Commitments and Contingencies” in Notes to Consolidated Financial Statements.

Changes in tax laws in any of the jurisdictions in which we operate can cause fluctuations in our overall tax rate impacting our reported earnings.

Our tax rate is derived from a combination of applicable tax rates in the various domestic and international jurisdictions in which we operate. While we have disposed of the majority of our international businesses, we remain subject to international taxes as part of our existing operations. Depending upon the sources of our income, any agreements we may have with taxing authorities in various jurisdictions, and the tax filing positions we take in these jurisdictions, our overall tax rate may fluctuate significantly from other companies or even our own past tax rates. In addition, changes in applicable U.S. or foreign tax laws and regulations, including the Tax Cuts and Jobs Act of 2017, or their interpretation and application, including the possibility of retroactive effect, could affect our tax expense and profitability. At any given point in time, we base our estimate of an annual effective tax rate upon a calculated mix of the tax rates applicable to us and to estimates of the amount of income likely to be generated in any given geography. The loss of or modification to one or more agreements with taxing jurisdictions, whether as a result of a third party challenge, negotiation, or otherwise, a change in the mix of our business from year to year and from country to country, changes in rules related to accounting for income taxes, changes in tax laws in any of the multiple jurisdictions in which we operate, changes in valuation allowances, or adverse outcomes from the tax audits that regularly are in process in any of the jurisdictions in which we operate could result in substantial volatility, including an unfavorable change in our overall tax rate and/or our effective tax rate.

Increases in wage and benefit costs, changes in laws and other labor regulations could impact our financial results and cash flow.

Our expenses relating to employee labor, including employee health benefits, are significant. Our ability to control our employee and related labor costs is generally subject to numerous external factors, including prevailing wage rates, legislative and private sector initiatives regarding healthcare reform, and adoption of new or revised employment and labor laws and regulations. Recently, various legislative movements have sought to increase the federal minimum wage in the United States and the minimum wage in a number of individual states, some of which have been successful at the state level. As federal or state minimum wage rates increase, we may need to increase not only the wage rates of our minimum wage employees, but also the wages paid to our other employees as well. Further, should we fail to increase our wages competitively in response to increasing wage rates, the quality of our workforce could decline, causing our customer service to suffer. Any increase in the cost of our labor could have an adverse effect on our operating costs, financial condition and results of operations. We have a large employee base and while our management believes that our employee relations are good, we cannot be assured that we will not experience organization efforts from labor unions. The potential for unionization could increase if federal legislation is passed that would facilitate labor organization. Significant union representation would require us to negotiate wages, salaries, benefits and other terms with many of our employees collectively and could adversely affect our results of operations by significantly increasing our labor costs or otherwise restricting our ability to maximize the efficiency of our operations.

We also have employees in Canada, Mexico, India, Costa Rica and Asia and are required to comply with laws and regulations in those countries that may differ substantially from country to country, requiring significant management attention and cost.

Changes in the regulatory environment and violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws may negatively impact our business.

We are subject to regulations relating to our corporate conduct and the conduct of our business, including securities laws, consumer protection laws, hazardous material regulations, trade regulations, advertising regulations, privacy and cybersecurity laws, and wage and hour regulations and anti-corruption legislation. Certain jurisdictions have taken a particularly aggressive stance with respect to such matters and have implemented new initiatives and reforms, including more stringent regulations, disclosure and compliance requirements.

The U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. Recent years have seen a substantial increase in anti-bribery law enforcement activity with more frequent and aggressive investigations and enforcement proceedings by both the Department of Justice and the SEC, increased enforcement activity by non-U.S. regulators and increases in criminal and civil proceedings brought against companies and individuals. Our policies mandate compliance with all anti-bribery laws. However, we operate in certain countries that are recognized as having governmental and commercial corruption. Our internal control policies and procedures may not always protect us from reckless or criminal acts committed by our employees or third-party intermediaries. Violations of these anti-bribery laws may result in criminal or civil sanctions, which could have a material adverse effect on our business and results of operations.

Risks Related to Information Technology and Information Security

Disruptions of our computer systems could adversely affect our operations.

We rely heavily on computer systems to process transactions, including delivery of technology services, manage our inventory and supply-chain and to summarize and analyze our global business. Various components of our information technology and computer systems, including hardware, networks, and software, are licensed to us and hosted by third party vendors.

Our systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyber-attack or other security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and usage errors by our employees. We carry insurance, including cyber insurance, which we believe to be commensurate with our size and the nature of our operations and expect that a portion of these costs may be covered by insurance.

If our computer systems are damaged or cease to function properly in the future, or, if we do not replace or upgrade certain systems, we may incur substantial costs to repair or replace them and may experience an interruption of our normal business activities or loss of critical data.

We maintain and periodically upgrade many of these systems that increase productivity and efficiency. If these systems are not properly maintained or enhanced, the attention of our workforce could be diverted and our ability to provide the level of service our customers demand could be constrained for some time. Failure to make such investments could limit our ability to compete against our peers that are investing in these areas. Further, new systems might not properly integrate with existing systems. Also, once

implemented, the new systems and technology may not provide the intended efficiencies or anticipated benefits and could add costs and complications to our ongoing operations.

A breach of our information technology systems could adversely affect our reputation, business partner and customer relationships and operations and result in high costs.

Through our sales, marketing activities, and use of third-party information, we collect and store certain personally identifiable information that our customers provide to purchase products or services, enroll in promotional programs, register on our website, or otherwise communicate and interact with us. This may include, but is not limited to, names, addresses, phone numbers, driver license numbers, e-mail addresses, contact preferences, personally identifiable information stored on electronic devices, and payment account information, including credit and debit card information. We also gather and retain information about our employees in the normal course of business. We may share information about such persons with vendors that assist with certain aspects of our business. In addition, our online operations depend upon the secure transmission of confidential information over public networks, such as information permitting cashless payments.

We have instituted safeguards for the protection of such information and invested considerable resources, including insurance to cover cyber liabilities, in protecting our systems. These security measures may be compromised as a result of third-party security breaches, burglaries, cyber-attack, errors by our employees or the employees of third-party vendors, faulty password management, misappropriation of data by employees, vendors or unaffiliated third parties, or other irregularity, and result in persons obtaining unauthorized access to our data or accounts.

Despite instituted safeguards for the protection of such information, we cannot be certain that all of our systems and those of our vendors and unaffiliated third parties are entirely free from vulnerability to attack or compromise given that the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently.

We have experienced and we expect to continue to experience attempts to breach our systems, none of which has been material to the Company as a whole to date, and we may be unable to protect sensitive data and the integrity of our systems or to prevent fraudulent purchases.

We are also subject to data privacy and security laws and regulations, the number and complexity of which are increasing globally, and despite reasonable efforts to comply with all applicable laws and regulations, there can be no assurance that we will not be the subject of enforcement or other legal actions in the event of an incident. Moreover, an alleged or actual security breach that affects our systems or results in the unauthorized release of personally identifiable information could:

- materially damage our reputation and brand, negatively affect customer satisfaction and loyalty, expose us to negative publicity, individual claims or consumer class actions, administrative, civil or criminal investigations or actions, and infringe on proprietary information; and
- cause us to incur substantial costs, including but not limited to costs associated with remediation for stolen assets or information, payments of customer incentives for the maintenance of business relationships after an attack, litigation costs, lost revenues resulting from unauthorized use of proprietary information or the failure to retain or attract customers following an attack, and increased cyber security protection costs. While we maintain insurance coverage that may, subject to policy terms and conditions, cover certain aspects of our cyber risks, such insurance coverage may be unavailable or insufficient to cover our losses or all types of claims that may arise in the continually evolving area of cyber risk.

Risks Related to Ownership of Our Securities

There can be no assurance that we will resume paying cash dividends.

Decisions regarding dividends depend on a number of factors, including general business and economic conditions, our financial condition, operating results and restrictions imposed by our debt agreements, the emergence of alternative investment or acquisition opportunities, changes in business strategy and other factors. Decisions on dividends are within the discretion of the Board of Directors. In order to preserve liquidity during the COVID-19 pandemic and in light of the uncertainties as to its duration and economic impact, in May 2020, our Board of Directors suspended the Company's quarterly cash dividend beginning in the second quarter of 2020. Our quarterly cash dividend remains suspended. Changes in or the elimination of dividends could have an adverse effect on the price of our common stock.

Our common stock price has been and may continue to be subject to volatility, and shareholders could incur substantial losses of any investment in our common stock.

Our common stock price has experienced volatility over time and this volatility may continue, in part due to factors mentioned in this Item 1A or due to other market-driven events beyond our control. As a result of these and other factors, investors in our common stock may not be able to resell their shares at or above their original purchase price.

Our amended and restated bylaws designate the Court of Chancery of the State of Delaware (the “Chancery Court”), or, if the Chancery Court does not have jurisdiction, the federal district court for the district of Delaware or other state courts located in the State of Delaware, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders, which could discourage lawsuits against us and our directors and officers.

Pursuant to our amended and restated bylaws, unless we consent in writing to the selection of an alternative forum, the Chancery Court (or, if the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) is the sole and exclusive forum for any shareholder (including a beneficial owner) to bring: (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers or other employees to us or our shareholders, (3) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our restated certificate of incorporation or amended and restated bylaws, or (4) any action asserting a claim governed by the internal affairs doctrine, except as to each of (1) through (4) above, for any claim as to which the Court of Chancery determines that there is an indispensable party not subject to the jurisdiction of the Court of Chancery (and the indispensable party does not consent to the personal jurisdiction of the Court of Chancery within ten days following such determination). This forum selection provision may limit the ability of our shareholders to bring a claim in a judicial forum that such shareholders find favorable for disputes with us or our directors or officers, which may discourage such lawsuits against us and our directors and officers.

Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. As a result, the exclusive forum provision will not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. In addition, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. As a result, the exclusive forum provision will not apply to suits brought to enforce any duty or liability created by the Securities Act or any other claim for which the federal and state courts have concurrent jurisdiction.

PROPERTIES

As of December 25, 2021, we operated in the following locations:

STORES

Retail Division (United States)

<u>State</u>	<u>#</u>	<u>State</u>	<u>#</u>
Alabama	23	Nebraska	9
Alaska	5	Nevada	19
Arizona	26	New Mexico	9
Arkansas	10	New York	11
California	87	North Carolina	39
Colorado	34	North Dakota	4
District of Columbia	1	Ohio	35
Florida	115	Oklahoma	13
Georgia	43	Oregon	17
Hawaii	8	Pennsylvania	8
Idaho	6	Puerto Rico	10
Illinois	36	South Carolina	17
Indiana	19	South Dakota	2
Iowa	6	Tennessee	28
Kansas	9	Texas	147
Kentucky	9	Utah	12
Louisiana	34	U.S. Virgin Islands	2
Maryland	9	Virginia	26
Michigan	25	Washington	29
Minnesota	23	West Virginia	5
Mississippi	13	Wisconsin	25
Missouri	25	Wyoming	2
Montana	3	TOTAL	1,038

The supply chain facilities which we operate in the continental United States and Puerto Rico support our Business Solutions and Retail Divisions and the facilities in Canada support our Business Solutions Division. The following table sets forth the locations of our principal supply chain facilities from continuing operations as of December 25, 2021.

DCs and Crossdock Facilities

State	#	State	#
Arizona	1	New Mexico	1
California	5	North Carolina	1
Colorado	1	North Dakota	2
Florida	5	Ohio	2
Georgia	2	Oklahoma	1
Hawaii	7	Pennsylvania	1
Idaho	1	Puerto Rico	1
Illinois	5	Tennessee	1
Kansas	1	Texas	3
Minnesota	3	Washington	3
Mississippi	1	Wisconsin	6
Missouri	4	Total United States	58
		Canada	9
		TOTAL	67

Our principal corporate headquarters in Boca Raton, FL consists of three interconnected buildings of approximately 625,000 square feet. This facility is considered to be in good condition, adequate for its purpose and suitably utilized according to the individual nature and requirements of the relevant operations. Although we currently own our corporate office in Boca Raton, FL, as well as a small number of our retail store locations, most of our facilities are leased or subleased. Additional information regarding our operating leases and leasing arrangements is available in Note 1. "Summary of Significant Accounting Policies" and Note 11. "Leases" in Notes to Consolidated Financial Statements.

LEGAL PROCEEDINGS

For a description of our legal proceedings, refer to Note 16. "Commitments and Contingencies" in Notes to Consolidated Financial Statements.

MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the NASDAQ Global Select Market under the ticker symbol ODP.

Holder

As of the close of business on February 16, 2022, there were 3,623 holders of record of our common stock.

Cash Dividend

Prior to July 2016, we had never declared or paid cash dividends on our common stock. Beginning in the third quarter of fiscal 2016, our Board of Directors declared and paid cash dividends on our common stock. In order to preserve liquidity during the COVID-19 pandemic and in light of the uncertainties as to its duration and economic impact, in May 2020, our Board of Directors suspended the Company's quarterly cash dividend beginning in the second quarter of 2020. Our quarterly cash dividend remains suspended.

The timing, declaration and payment of future dividends to holders of our common stock fall within the discretion of our Board of Directors and will depend on our operating results, earnings, financial condition, the capital requirements of our business and other factors. Our Third Amended Credit Agreement permits restricted payments, such as dividends, but may be limited if we do not meet the required minimum liquidity or fixed charge coverage ratio requirements.

Issuer Purchases of Equity Securities

In May 2021, our Board of Directors approved a new stock repurchase program of up to \$300 million, available through June 30, 2022, which replaced the Company's then existing \$200 million stock repurchase program. On November 16, 2021, we entered into an accelerated share repurchase agreement ("ASR") to repurchase shares of our common stock in exchange for an up-front payment of \$150 million and increased the authorization to \$450 million. The total number of shares ultimately delivered under the ASR, and therefore the average repurchase price paid per share, will be determined based on the volume weighted-average price of our stock during the purchase period less a discount. The repurchase period runs through June 2022. We received 2.8 million shares of our common stock at the initiation of the ASR, which has increased treasury stock by \$120 million, and the \$30 million additional up-front payment was accounted for as a reduction in additional paid in capital. The ASR is a forward contract indexed to our common stock and met all of the applicable criteria for equity classification; therefore, it was not accounted for as a derivative instrument. Expenses incurred in connection with the ASR were recorded as a charge to additional paid in capital. Our Board of Directors reviewed the existing capital allocation programs in connection with the sale of CompuCom, and on December 31, 2021, authorized an additional \$200 million for share repurchases under the existing stock repurchase program, for a total authorization of \$650 million. The authorization may be suspended or discontinued at any time. The stock repurchase authorization permits us to repurchase stock from time-to-time through a combination of open market repurchases, privately negotiated transactions, 10b5-1 trading plans, accelerated stock repurchase transactions and/or other derivative transactions. The exact number and timing of stock repurchases will depend on market conditions and other factors, and will be funded through available cash balances. Our Third Amended Credit Agreement permits restricted payments, such as common stock repurchases, but may be limited if we do not meet the required minimum liquidity or fixed charge coverage ratio requirements. The authorized amount under the stock repurchase program excludes fees, commissions or other expenses.

The following table summarizes our common stock repurchases during the fourth quarter of 2021.

Period	Total Number of Shares Purchased (In millions)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program (In millions)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Repurchase Programs (In millions) (1)
September 26 — October 23, 2021	0.5	\$ 42.96	0.5	\$ 156
October 24 — November 20, 2021	3.2	\$ 41.98	3.2	\$ 142
November 21 — December 25, 2021	—	\$ —	—	\$ 142
Total	3.7	\$ 42.11	3.7	

(1) Includes a \$30 million advance payment for remaining shares of our common stock to be delivered through June 2022 under the accelerated share repurchase agreement discussed above. On December 31, 2021, the Board of Directors authorized an additional \$200 million for share repurchases under the existing \$450 million stock repurchase program, for a total authorization of \$650 million.

We purchased approximately 1.0 million, 1.7 million and 3.7 million shares of our common stock during the second, third and fourth quarters of fiscal 2021 at a weighted average price of \$43.35 per common share. We made no repurchases of shares of common stock during the first quarter of fiscal 2021. For the year 2021, we purchased approximately 6 million shares of common stock for a total consideration of \$277 million. At December 25, 2021, approximately \$142 million remains available for additional purchases under the stock repurchase program. On December 31, 2021, the Board of Directors authorized an additional \$200 million for share repurchases under the existing \$450 million stock repurchase program, for a total authorization of \$650 million.

The ODP Corporation Stock Comparative Performance Graph

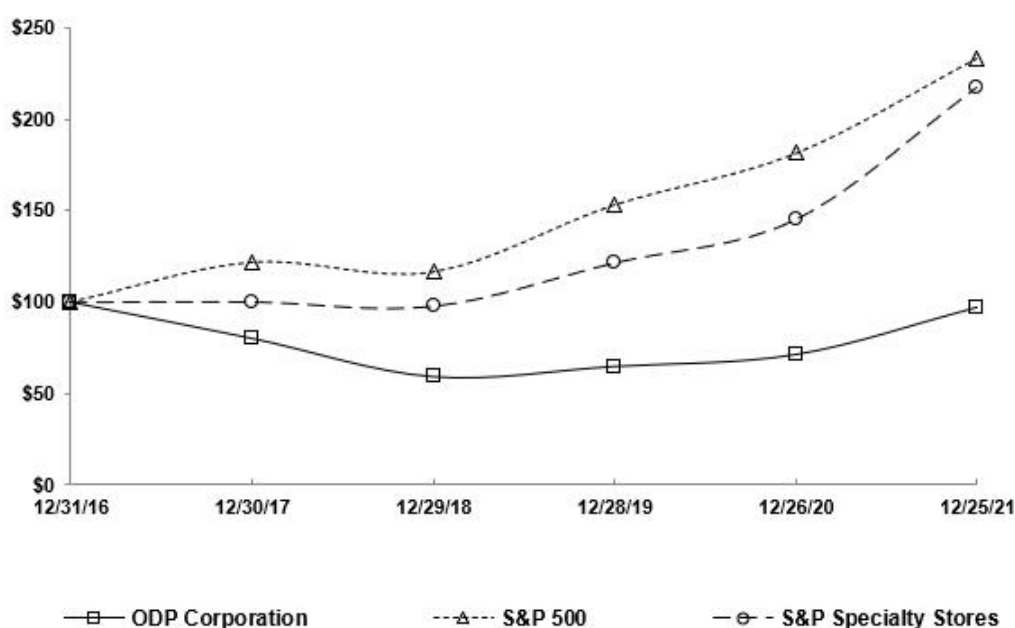
The information contained in The ODP Corporation Comparative Performance Graph section shall not be deemed to be filed as part of this Annual Report and does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent we specifically incorporate the graph by reference.

The following graph compares the five-year cumulative total shareholder return on our common stock with the cumulative total returns of the Standard & Poor's 500 Index ("S&P 500") and the Standard & Poor's Specialty Stores Index ("S&P Specialty Stores") of which we are a component of each Index.

The graph assumes an investment of \$100 at the close of trading on December 31, 2016, the last trading day of fiscal year 2016, in our common stock, the S&P 500 and the S&P Specialty Stores.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among The ODP Corporation, the S&P 500 Index
and the S&P Specialty Stores Index



*\$100 invested on 12/31/16 in stock or in index, including reinvestment of dividends. Indexes calculated on month-end basis.

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	12/31/16	12/30/17	12/29/18	12/28/19	12/26/20	12/25/2021
The ODP Corporation	100.00	80.23	59.23	64.80	71.29	97.09
S&P 500	100.00	121.83	116.49	153.17	181.35	233.41
S&P Specialty Stores	100.00	100.23	97.82	121.43	145.00	217.07

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management’s Discussion and Analysis of Financial Condition and Results of Operations is intended to provide information to assist readers in better understanding and evaluating our financial condition and results of operations. We recommend reading this MD&A in conjunction with our Consolidated Financial Statements and Notes thereto included in this Annual Report.

OVERVIEW

THE COMPANY

We are a leading provider of business services and supplies, products and digital workplace technology solutions to small, medium-sized and enterprise businesses. We operate through our direct and indirect subsidiaries and maintain a fully integrated business-to-business (“B2B”) distribution platform of thousands of dedicated sales and technology service professionals, online presence and 1,038 retail stores. Through our banner brands Office Depot®, OfficeMax® and Grand&Toy®, as well as others, we offer our customers the tools and resources they need to focus on starting, growing and running their business.

At December 25, 2021, our operations are organized into two reportable segments (or “Divisions”): Business Solutions Division, and Retail Division. After the second quarter of 2021, our Board of Directors provided their alignment with management’s commitment to a plan to sell its CompuCom Division through a single disposal group. Accordingly, that business is presented as discontinued operations beginning in the third quarter of 2021.

The Business Solutions Division, or BSD, is the largest component of our integrated B2B distribution platform in terms of both revenue and customers, and provides our customers with nationally branded as well as our private branded office supply products and services. Additionally, BSD provides adjacency products and services including cleaning and breakroom supplies, technology services, copy and print services, and office furniture products and services in the United States, Puerto Rico, the U.S. Virgin Islands, and Canada through a dedicated sales force, catalogs, telesales, and electronically through our Internet websites. BSD includes the regional office supply distribution businesses we have acquired as part of our strategic transformation described in the section below.

The Retail Division includes our chain of retail stores in the United States, Puerto Rico and the U.S. Virgin Islands where we sell office supplies, technology products and solutions, business machines and related supplies, print, cleaning, breakroom supplies and facilities products, and furniture. In addition, our Retail Division offers a range of business-related services targeted to small businesses, technology support services as well as printing, copying, mailing and shipping services.

STRATEGIC TRANSFORMATION

We have been undergoing a strategic business transformation to pivot our Company into an integrated B2B distribution platform, with the objective of expanding our product offerings to include value-added services for our customers and capture greater market share. As part of this transformation, we are evolving our B2B business and developing a new digital platform technology business, which has been named Varis, and aims to transform the B2B procurement and sourcing industry by filling the growing demand for a modern, trusted, digital B2B platform. On January 29, 2021, in connection with our development efforts in this area, we acquired BuyerQuest, a business services software company with an eProcurement platform for approximately \$71 million, subject to customary post-closing adjustments. The purchase consideration for BuyerQuest includes \$61 million paid at closing, funded with \$26 million of cash on hand and the issuance of 827,498 shares of the Company’s common stock, and up to \$10 million contingent consideration that will be payable over a two-year period subject to BuyerQuest meeting certain performance conditions. During the fourth quarter of 2021, based on BuyerQuest’s operating performance, the contingent consideration payable has been reduced to \$7 million. BuyerQuest’s operating results are included in our Varis segment.

We continue to expand our reach and distribution network through acquisitions of profitable regional office supply distribution businesses, serving small and mid-market customers. Many of these customers are in geographic areas that were previously underserved by our network. During 2021, we acquired one small independent regional office supply distribution business, for approximately \$2 million funded with cash on hand, subject to customary post-closing adjustments. These acquisitions have allowed for an effective and accretive means to expand our distribution reach, target new business customers and grow our offerings beyond traditional office supplies.

The operating results of the acquired office supply distribution businesses are combined with our operating results subsequent to their purchase dates, and are included in our Business Solutions Division. Refer to Note 2. “Acquisitions” in Notes to Consolidated Financial Statements for additional information.

In January 2021, our Board of Directors announced that as a result of a business review of CompuCom, management had initiated a process to explore a value-maximizing sale of our CompuCom Division. The sale of our CompuCom Division was completed on December 31, 2021. Refer to the “Recent Developments” section for more information on this sale.

As previously announced, in May 2021, our Board of Directors unanimously approved a plan to pursue a separation of the Company into two independent, publicly traded companies. When the plan was announced, we expected to structure it as a tax-free spin-off of our B2B related operations. Following further review, we determined that we should utilize the flexibility created by the holding company reorganization in 2020 to structure the separation as a tax-free spin-off of our consumer business, with us retaining our B2B related operations (the “Separation”), as further described below. We believe that this modified approach will be more efficient considering that it is expected that the majority of the Company’s current management team and Directors will remain with the B2B business which will continue to be owned by “The ODP Corporation.” In December 2021, our Board of Directors received a non-binding proposal from a third party other than USR Parent, Inc. to acquire our consumer business. The terms of that proposal are confidential. Our Board of Directors is carefully reviewing the proposals received to determine the course of action that it believes is in the best interests of the Company and its shareholders. As a result, we have determined to delay further work on the separation in order to avoid incurring potentially unnecessary separation costs while we focus on a potential sale of the consumer business. Refer to the “Recent Developments” section for more information on the progress of the Separation and Alternative Transaction for the Consumer Business.

STOCK SPLIT

After obtaining the approval of our shareholders on May 11, 2020, our Board of Directors determined to set a reverse stock split ratio of 1-for-10 for a reverse stock split of the Company’s outstanding shares of common stock, and a reduction in the number of authorized shares of the Company’s common stock by a corresponding ratio. The reverse stock split was effective on June 30, 2020. All share and per share amounts in this MD&A have been retroactively adjusted for the prior period presented to give effect to this reverse stock split.

RECENT DEVELOPMENTS

Delay of Planned Separation and Exploration of Alternative Transaction for Consumer Business

As a result of the planned Separation, each company is expected to have a unique and highly focused strategy and investment profile, as follows:

- ODP – a leading B2B solutions provider serving small, medium and enterprise level companies, will consist of several operating companies, including the contract sales channel of ODP’s current Business Solutions Division, which will be renamed ODP Business Solutions, and ODP’s newly formed B2B digital platform technology business, which has been named Varis. ODP Business Solutions and Varis will be owned by ODP, but operated as separate businesses. ODP will also continue to own the global sourcing operations and other sourcing, supply chain and logistics assets. Gerry Smith will continue to serve as CEO of The ODP Corporation following the separation; and
- Office Depot – an Office Depot branded leading provider of retail consumer and small business products and services distributed via approximately 1,000 Office Depot and OfficeMax retail locations and an eCommerce presence, officedepot.com. Kevin Moffitt, currently EVP, Chief Retail Officer of The ODP Corporation, will be appointed CEO of Office Depot upon completion of the spin-off.

The Separation is expected to allow ODP and Office Depot to pursue market opportunities and separate growth strategies, and improve value for shareholders and stakeholders. While ODP and Office Depot will be separate, independent companies, they will share commercial agreements that will allow them to continue to leverage scale benefits in such areas as product sourcing and supply chain. The Separation is expected to occur through a tax-free stock dividend of shares of NewCo to ODP’s shareholders as of a record date to be determined by our Board of Directors, after which ODP shareholders will own 100% of the equity in both of the publicly traded companies.

The Separation was intended to be completed in the middle of 2022, subject to customary conditions, including final approval by our Board of Directors, opinions from tax counsel and a favorable ruling by the IRS on the tax-free nature of the transaction to the Company and to its shareholders, the filing and effectiveness of a registration statement with the U.S. Securities and Exchange Commission, the approved listing of Office Depot’s common stock on a national securities exchange and the completion of any necessary financings. In December 2021, our Board of Directors received a non-binding proposal from a third party other than USR Parent, Inc. to acquire our consumer business. The terms of that proposal are confidential. Our Board of Directors is carefully reviewing this proposal as well as the June Proposal from USR Parent, Inc., which is discussed below, with the assistance of its financial and legal advisors to determine the course of action that it believes is in the best interests of the Company and its shareholders. As a result, we have determined to delay further work on the separation in order to avoid incurring potentially unnecessary separation costs while we focus on a potential sale of the consumer business.

There can be no assurance that a sale of the consumer business will take place and, if it were to take place, as to the terms of such a sale. There can also be no assurances regarding the ultimate timing of the Separation or that an alternative transaction will be completed. If the Separation is completed, we expect to incur significant costs in connection with it, which are expected to relate primarily to third-party professional fees, retention payments to certain employees, and other costs directly related to the Separation. We incurred \$32 million in third-party professional fees associated with the Separation in 2021. We currently estimate that, if completed, costs to execute the Separation will exceed \$100 million, although such estimate is subject to a number of assumptions and uncertainties. We also expect to incur significant costs associated with exploring the potential sale of our consumer business, which are expected to relate primarily to third-party professional fees, including legal fees.

Disposition of CompuCom

In January 2021, our Board of Directors announced that as a result of a business review of CompuCom, management had initiated a process to explore a value-maximizing sale of our CompuCom Division. During the third quarter of 2021, our Board of Directors aligned with management's commitment to a plan to sell CompuCom through a single disposal group. The CompuCom disposal group has met the accounting criteria to be classified as held for sale as of the third quarter of 2021 and is presented as such in the Consolidated Financial Statements herein. The planned disposition of CompuCom represented a strategic shift that will have a major impact on our operations and financial results. Accordingly, the operating results and cash flows are classified as discontinued operations for all periods presented.

The sale of CompuCom was completed on December 31, 2021, and the transaction was structured and will be accounted for as an equity sale. The related Securities Purchase Agreement ("SPA") provides for consideration consisting of a cash purchase price equal to \$125 million (subject to customary adjustments, including for cash, debt and working capital), an interest-bearing promissory note in the amount of \$55 million, and a holding fee ("earn-out") provision providing for payments of up to \$125 million in certain circumstances. The promissory note accrues interest at six percent per annum, payable on a quarterly basis in cash or in-kind, and is due in full on June 30, 2027. Under the earn-out provision, if the purchaser receives dividends or sale proceeds from the CompuCom business equal to (i) three (3) times its initial capital investment in the CompuCom business plus (ii) 15% per annum on subsequent capital investments, the Company will be entitled to 50% of any subsequent dividends or sale proceeds up to and until the Company has received an aggregate of \$125 million. The Company also agreed to provide certain transitional services to the purchaser for a period of three to twelve months under a separate agreement after closing. The SPA contains customary warranties of the Company and the purchaser.

USR Parent, Inc. Proposals

On January 11, 2021, we received a proposal from USR Parent, Inc., the parent company of Staples Inc. and a portfolio company of Sycamore Partners, to acquire 100% of our issued and outstanding stock for \$40.00 per share in cash (the "January Proposal"). After careful review and consideration of the January Proposal and in consultation with our financial and legal advisors, our Board of Directors unanimously concluded that there is a more compelling path forward to create value for us and our shareholders than the potential transaction described in the January Proposal. On January 19, 2021, we filed a statement on Schedule 14D-9 with the SEC containing our Board of Director's recommendation. We anticipate that we will incur significant legal and other expenses throughout this process.

On March 10, 2021, we received a second proposal (the "March Proposal") from USR Parent, Inc., including a letter of intent to acquire various ODP assets, which our Board of Directors unanimously concluded that the March Proposal was not in the best interest of us and our shareholders as it did not contain a valuation of the assets that Staples sought to acquire, which include certain B2B businesses of ODP. Our Board further noted that the letter of intent, which contemplated a binding commitment to seek regulatory approval, also did not include any obligation on the part of Sycamore Partners or Staples to proceed with the transaction, agree to a purchase price, or assume any related regulatory risk. On March 15, 2021, we filed a statement on Schedule 14D-9 with the SEC containing our Board of Directors' recommendation. On March 31, 2021, USR Parent, Inc. publicly announced that USR Parent, Inc. has decided to defer the March 2021 launch of a tender offer for ODP's common shares while reserving the right to commence one in the future.

On June 4, 2021, we received a third proposal (the "June Proposal" and together with the January Proposal and March Proposal, the "Proposals") from USR Parent, Inc. to acquire our consumer business, including our retail stores, and reiterated its intention to commence a tender offer if negotiations for an alternative transaction are not successful. In November 2021, USR Parent, Inc. reaffirmed its June proposal to acquire the Company's consumer business, including our retail stores business, and announced its decision to abandon its previously announced intent to commence a tender offer for all of the outstanding shares of the Company. Our Board of Directors is carefully reviewing the June proposal with the assistance of its financial and legal advisors to determine the course of action that it believes is in the best interests of the Company and our shareholders.

We incurred \$5 million in third-party professional fees related to the Proposals in 2021 including expenses incurred in connection with a Civil Investigative Demand (“CID”) from the U.S. Federal Trade Commission (“FTC”), which is conducting an investigation of the Proposals. In order to relieve us from the continuation of a costly and burdensome process, the FTC has agreed to defer requiring further responses from us unless and until USR Parent, Inc. formally launches a tender offer, or the parties execute a negotiated agreement. Additionally, on May 4, 2021 the Canadian Competition Bureau (the “Bureau”) advised us that it has determined that USR Parent, Inc.’s proposed acquisition of the Company would likely result in a substantial lessening or prevention of competition in the sale of business essentials to enterprise customers in Canada. While it is not known for certain what the Bureau would do if USR Parent, Inc. actually launches a tender offer in the future, the Bureau’s determination signals that the Bureau would likely challenge the acquisition. However, we cannot be certain that USR Parent, Inc. will not commence a tender offer in the future. We anticipate that we will incur additional significant legal and other expenses throughout this process if USR Parent, Inc. pursues a tender offer.

COVID-19 UPDATE

The COVID-19 pandemic continued to have significant adverse impacts on the national and global economy during 2021. From the beginning of the COVID-19 pandemic, we have remained committed to making the health and wellness of our employees and customers a priority. Based upon the guidance of the U.S. Centers for Disease Control (“CDC”) and local health authorities, we maintain appropriate measures to help reduce the spread of infection to our employees and customers, including increased frequency of cleaning and sanitizing in our facilities. While we have reopened our corporate headquarters, certain employees who are able to work productively from home, continue to work remotely. We continue to have employees in our retail stores, customer support and distribution centers working on-site at our facilities, as well as technicians and field support on-site at customer locations. Employee business travel remains limited to only essential business needs. Early in the first quarter of 2021, the U.S. Food and Drug Administration approved certain vaccines effective against COVID-19 for administering to the population and, as of the end of June 2021, every individual aged 12 and over in the United States is eligible to get vaccinated. However, there is significant uncertainty as to the ability to gain adequate herd-immunity levels through vaccine programs and their resilience to future virus variants.

We continued to experience a significant decline in overall demand for our products and services during 2021, as a result of the disruptions experienced by our business customers from restrictions on commercial activities and social distancing measures, and we expect these demand fluctuations to continue into first quarter of 2022. In response to the volatility resulting from the pandemic, we have taken measures to protect our financial position during this challenging time period, including creating contingency plans for merchandise categories that may be in high demand, adjusting our inventory levels, reducing certain occupancy costs, reducing nonessential expenses, and reducing our capital spend, among others. Our quarterly cash dividend also remains suspended.

We assess our outlook on a daily basis, but we are unable to accurately predict the pace and shape of the recovery from COVID-19 due to numerous uncertainties, including the duration of the pandemic, actions that may be taken by governmental authorities, the speed at which effective vaccines will be administered to a sufficient number of people to enable cessation of the virus, additional disruption to the economy and consumers’ willingness and ability to spend, temporary or permanent closures of our business customers, supply chain disruptions and other unforeseeable consequences. The recent spread of the Delta and Omicron variants of COVID-19, which appear to be more transmissible than other variants to date, may extend the impact of COVID-19 on our business. As a result, we expect weaker global economic conditions and increased unemployment, including continued business disruption relating to COVID-19 and resulting governmental actions will continue to negatively impact our business and results of operations in 2022, and could result in future impairments of our assets.

CONSOLIDATED RESULTS OF CONTINUING OPERATIONS AND LIQUIDITY

The following summarizes the more significant factors impacting our operating results for the 52-week period ended December 25, 2021 (also referred to as “2021”) and the 52-week period ended December 26, 2020 (also referred to as “2020”) as well as our liquidity in 2021 and 2020. We have omitted discussion of 2019 results where it would be redundant to the discussion previously included in MD&A of our 2020 Annual Report on Form 10-K.

Our consolidated sales were 5% lower in 2021 compared to 2020. This year-over-year decrease was primarily driven by lower sales in our Retail Division. The decrease in sales of our Retail Division was due to planned store closures and lower demand in product categories such as technology, cleaning and personal protective equipment. These product categories had experienced higher demand in 2020, which was driven by the needs of our customers to help address their challenges derived from the COVID-19 pandemic, and included facilitating the continued remote work and virtual learning environments. As the effects of the COVID-19 pandemic have begun to recede, more of our customers are transitioning into on-site work and in-person learning, and the demand for these categories has declined. These negative impacts on our sales in 2021 were partially offset by increased sales in other categories, primarily copy and print services, and office and school supplies. Our Business Solutions Division also experienced lower sales, which was primarily related to lower sales of cleaning products and personal protective equipment, as well as lower sales generated by our eCommerce platform, which experienced increased demand in 2020 as more customers preferred to order online and have their purchases delivered. These declines were partially offset by higher sales across majority of our other product categories in the Business Solutions

Division, and was driven by the continued recovery of our business-to-business customers, including those in the education sector, from the disruptions to their operations as a result of the impacts of the COVID-19 pandemic.

<i>(In millions)</i>	2021	2020	Change
Sales			
Business Solutions Division	\$ 4,597	\$ 4,683	(2)%
Retail Division	3,837	4,167	(8)%
Other	31	22	41%
Total	\$ 8,465	\$ 8,872	(5)%

OTHER SIGNIFICANT FACTORS IMPACTING TOTAL COMPANY RESULTS AND LIQUIDITY

- Total gross profit decreased by \$89 million or 5% in 2021 compared to 2020. The decrease in gross profit was driven by the flow-through impact of lower sales in our Business Solutions Division and Retail Division, which consisted of \$66 million and \$23 million, respectively, of the decrease in gross profit in 2021. These reductions were partially offset by the impact of acquisitions within our Business Solutions Division.
- Total gross margin for 2021 was 22%, which was consistent with the gross margin in 2020. Although we incurred higher rates of product and distribution costs in 2021 as a percentage of our sales, the impact of these were fully offset by a reduction in our occupancy cost margin. While we incurred incremental costs related to trade tariffs on inventory we purchase from suppliers in China, certain actions, including changes to our contracting model, alternative sourcing strategies, and selective price increase pass-through efforts mitigated much of the impact of such trade tariffs to our results of operations.
- Total selling, general and administrative expenses decreased by \$103 million or 6% in 2021 compared to 2020. The decrease was the result of store closures in our Retail Division and certain strategic initiatives, including the Maximize B2B Restructuring Plan, aimed to generate savings through optimizing our retail footprint, removing costs that directly support the Retail Division and additional measures to implement a company-wide low-cost business model reducing our spend on payroll and payroll-related costs other discretionary expenses such as professional fees, contingent labor, travel and marketing. The decrease in total selling, general, and administrative expenses in 2021 was partially offset by increase in expenses associated with the expansion of our distribution network through acquisitions. As a percentage of sales, total selling, general and administrative expenses was 18% in 2021, as compared to 19% in 2020.
- We recorded \$20 million of asset impairment charges in 2021 which included \$16 million related to impairment of operating lease right-of-use (“ROU”) assets associated with our retail store locations, with the remainder primarily relating to impairment of fixed assets. We recorded \$182 million of asset impairment charges in 2020, which included \$115 million related to goodwill in our Contract reporting unit. We also recorded \$48 million of asset impairment charges in 2020 related to impairment of operating lease ROU assets associated with our retail store locations, with the remainder primarily relating to impairment of fixed assets and a cost method investment. Refer to Note 15. “Fair Value Measurements” in Notes to Consolidated Financial Statements for additional information.
- We recorded \$51 million of Merger, restructuring and other operating expenses, net in 2021 compared to \$102 million in 2020. Merger, restructuring and other operating expenses in 2021 included \$37 million of third-party professional fees associated with the planned Separation of our consumer business and USR Parent, Inc. Proposals. Also included in merger, restructuring and other operating expenses were \$14 million of costs associated with restructuring activities in 2021. We did not record any transaction and integration costs in 2021. Merger, restructuring, and other operating expenses in 2020 includes \$5 million of severance, retention, transaction and integration costs associated with business acquisitions and \$97 million of severance, professional fees and other expenses associated with restructuring activities. Refer to Note 3. “Merger, Restructuring and Other Activity” in Notes to Consolidated Financial Statements for additional information.
- During 2021 and 2020, the mix of income and losses across jurisdictions, although still applicable, has become less of a factor in influencing our effective tax rates due to limited international operations and improved operating results. Our effective tax rates were 19% and (66)% in 2021 and 2020, respectively. During 2021, our effective rate was primarily impacted by the recognition of a tax windfall associated with stock-based compensation awards and recognition of tax benefits due to an agreement reached with the IRS related to a prior tax position. These factors, along with the impact of state taxes and the mix of income and losses across U.S. and non-U.S. jurisdictions, caused our effective tax rate to differ from the statutory rate of 21%. Our effective tax rate in the prior period has varied considerably primarily due to the impact of goodwill impairment, state taxes, excess tax deficiencies associated with stock-based compensation awards and certain nondeductible items and the mix of income and losses across U.S. and non-U.S. jurisdictions. Changes in pretax income projections and the mix of income across jurisdictions could impact the effective tax rates in future quarters. Refer to Note 6. “Income Taxes” in Notes to Consolidated Financial Statements for additional information.

- Diluted earnings per share from continuing operations was \$3.42 in 2021 compared to diluted loss per share from continuing operations of \$(1.20) in 2020.
- Diluted loss per share from discontinued operations was \$(7.21) in 2021 compared to \$(4.85) in 2020.
- Net diluted loss per share was \$(3.79) in 2021 compared to \$(6.05) in 2020.
- At December 25, 2021, we had \$514 million in cash and cash equivalents and \$877 million of available credit under the Third Amended Credit Agreement, for a total liquidity of approximately \$1.4 billion. Cash provided by operating activities of continuing operations was \$344 million for 2021 compared to \$425 million for 2020. Refer to the Liquidity and Capital Resources section of this MD&A for more information on cash flows.
- In the first quarter of 2020 we paid a quarterly cash dividend on our common stock in the amount of \$0.25 per share, resulting in total cash payments of \$13 million. In May 2020, in order to preserve liquidity during the COVID-19 pandemic and in light of the uncertainties as to its duration and economic impact, our Board of Directors suspended our quarterly cash dividend. Our quarterly cash dividend continues to be suspended.
- In May 2021, our Board of Directors approved a new stock repurchase program of up to \$300 million of its common stock, available through June 30, 2022, which replaced the then existing \$200 million stock repurchase program. On November 16, 2021, we entered into an accelerated stock repurchase plan agreement (“ASR”) to repurchase shares of the Company’s stock in exchange for an up-front payment of \$150 million and increased the authorization to \$450 million. The total number of shares ultimately delivered under the ASR, and therefore the average repurchase price paid per share, will be determined based on the volume weighted-average price of our stock during the purchase period less a discount. The repurchase period runs through June 2022. We received 2.8 million shares of our common stock at the initiation of the ASR, which has increased treasury stock by \$120 million, and the \$30 million additional up-front payment was accounted for as a reduction in additional paid in capital. The ASR is a forward contract indexed to our common stock and met all of the applicable criteria for equity classification; therefore, it was not accounted for as a derivative instrument. Expenses incurred in connection with the ASR were recorded as a charge to additional paid in capital. Our Board of Directors reviewed the existing capital allocation programs in connection with the sale of CompuCom, and on December 31, 2021, authorized an additional \$200 million for share repurchases under the existing stock repurchase program, for a total authorization of \$650 million. Under our new repurchase plan, we bought back 6 million shares of our common stock in 2021, returning another \$277 million to our shareholders. We bought back 1 million shares of our common stock in 2020 under our then-existing stock repurchase plan, returning \$30 million to our shareholders.

OPERATING RESULTS BY DIVISION

Discussion of additional income and expense items, including material charges and credits and changes in interest and income taxes follows our review of segment results. Fiscal years 2021, 2020 and 2019 include 52 weeks.

BUSINESS SOLUTIONS DIVISION

<i>(In millions)</i>	2021	2020	2019
Sales	\$ 4,597	\$ 4,683	\$ 5,279
% change	(2)%	(11)%	—%
Division operating income	\$ 119	\$ 116	\$ 271
% of sales	3%	2%	5%

Sales in our Business Solutions Division decreased 2% in 2021 compared to 2020. During 2021, our Business Solutions Division experienced higher demand across the majority of our product categories, especially in product categories such as furniture, technology, paper, breakroom, school and office supplies, as well as in our copy and print services. This was driven by the continued recovery of our business-to-business customers, including those in the education sector, from the disruptions to their operations as a result of the impacts of the COVID-19 pandemic. The higher demand from our business-to-business customers, which resulted in an increase of \$103 million in sales in 2021, was more than offset by \$168 million lower of personal protective equipment and cleaning supplies and \$77 million lower sales in our eCommerce platform, as compared to 2020. The impact of acquisitions, while positive, was not material to 2021.

Sales in our Business Solutions Division decreased 11% in 2020 compared to 2019. Sales in 2020 were impacted by lower demand, especially in product categories such as toner, ink and office supplies and copy and print services, due to a portion of our business-to-business customers, including those in the education sector, having to pause operations or temporarily transition into a remote environment as a result of restrictions imposed by federal, state and local authorities. These restrictions started in March 2020 with the

aim to prevent and reduce the spread of COVID-19, and continued through the end of 2020 across a majority of the jurisdictions in which our customers operate. The lower demand from our business-to-business customers was partially offset by higher sales in cleaning supplies and personal protective equipment, and higher sales in our eCommerce platform, which experienced increased demand in 2020 as more customers preferred to order online and have their purchases delivered. The impact of acquisitions, also contributed positively to our sales, although they were not material drivers of our results in 2020.

Our sales could be impacted in the near term related to numerous factors, among others, a weaker U.S. economy and higher unemployment that materially impact consumer spending, the demand for our products and services and the availability of supply. Specifically, we experienced supply constraints in some of our larger product categories such as ink and technology products, and we may continue to face delays or difficulty sourcing these products.

The impacts of the COVID-19 outbreak in 2022 and the magnitude by which sales of our Business Solutions Division will be affected will depend heavily on the duration of the pandemic through new variants, impact and speed of vaccination distributions, as well as the substance and pace of macroeconomic recovery. However, as discussed above, the impact has been material to the results of the Business Solutions Division in 2021 and could continue into the first quarter of 2022 and beyond. In addition, changes in work environments, such as a prolonged or permanent shift to hybrid or continued remote work arrangements could also have a material impact to the future results of the Business Solutions Division.

Our Business Solutions Division operating income was \$119 million in 2021 compared to \$116 million in 2020, an increase of 2% year-over-year. As a percentage of sales, operating income increased approximately 10 basis points. Although we experienced increases in third-party transportation costs due to the impacts of COVID-19, which reduced our gross margin by approximately 20 basis points, this was more than offset by lower selling, general and administrative expenses as a percentage of our sales. The improvement in our selling, general and administrative expenses is attributable to cost saving initiatives of our Maximize B2B restructuring program, which reduced costs in payroll, advertising and other operating expenses. Our Business Solutions Division operating income decreased 57% in 2020 compared to 2019. As a percentage of sales, operating income decreased by approximately 270 basis points. The decrease in operating income in 2020 was related to the flow-through impact of lower product sales volume coupled with lower gross profit margin due to a combination of pricing pressures and higher product costs. This was partially offset by a reduction in selling, general and administrative expenses achieved through our Business Acceleration Program.

RETAIL DIVISION

<i>(In millions)</i>	2021	2020	2019
Sales	\$ 3,837	\$ 4,167	\$ 4,363
% change	(8)%	(4)%	(6)%
Division operating income	\$ 306	\$ 275	\$ 194
% of sales	8%	7%	4%
Change in comparable store sales	N/A	N/A	(4)%

Sales in our Retail Division decreased 8% in 2021 compared to 2020. Sales were negatively impacted in 2021, primarily by planned closings of underperforming retail stores, and the impact of the COVID-19 pandemic. As vaccination rates have increased since early in 2021 and the effects of the COVID-19 pandemic have begun to recede, more of our customers are transitioning into on-site work and in-person learning. As a result of this recovery, we experienced \$40 million of increased sales in copy and print services, and office and school supplies. This was more than offset by lower demand in product categories such as technology products, cleaning supplies and personal protective equipment. These categories had experienced higher demand in the prior year, which was driven by the needs of our customers to help address their challenges derived from the COVID-19 pandemic, and included facilitating the continued remote work and virtual learning environments.

Sales in our Retail Division decreased 4% in 2020 compared to 2019. This was primarily the result of planned closings of underperforming retail stores, and lower demand in product categories such as toner, ink, and office supplies and our copy and print services, which were partially offset by the increased demand in essential products such as furniture, technology products, cleaning supplies, personal protective equipment and other work-from-home and learn-from-home enabling products. The increase in these product categories was \$361 million in 2020, and was primarily driven by the needs of our customers to help address their challenges derived from the COVID-19 outbreak as well as those who transitioned into remote work and virtual learning environments in March 2020 as a result of restrictions imposed by federal, state and local authorities in order to prevent and reduce the spread of COVID-19.

Our sales could be impacted in the near term related to numerous factors, among others, a weaker U.S. economy and higher unemployment that materially impact consumer spending, the demand for our products and services and the availability of supply. Specifically, we experienced supply constraints in some of our larger product categories such as ink and technology products, and we may continue to face delays or difficulty sourcing these products.

Buy online pick up in store (“BOPIS”) transactions are included in our Retail Division results because they are fulfilled with retail store inventory and serviced by our retail store associates. Our BOPIS sales were \$331 million in 2021 as compared to \$358 million in 2020. We had a significant increase in BOPIS sales in 2020 due to an increase in online orders when the pandemic began. Our BOPIS sales increased 64% in 2021, when compared to 2019 prior to the impact of the pandemic.

Our business is considered to be essential by most local jurisdictions, and as a result, the substantial majority of our retail locations have remained open and operational with the appropriate safety measures in place during the COVID-19 pandemic, including a curbside pickup option. Since late in the first quarter of 2020, we have temporarily reduced our retail location hours by one to two hours daily, which continues to be in effect at the majority of our retail locations. We believe sales in our Retail Division may continue to be adversely impacted in the first quarter of 2022 and potentially longer. As there is uncertainty in the extent and duration of the impacts of the pandemic, we are unable to estimate the full impact at this time.

We have historically reported our comparable store sales, which relate to stores that have been open for at least one year. Stores are removed from the comparable sales calculation one month prior to closing, as sales during that period are mostly related to clearance activity. Stores are also removed from the comparable sales calculation during periods of store remodeling, store closures due to hurricanes, natural disasters or epidemics/pandemics, or if significantly downsized. Our measure of comparable store sales has been applied consistently across periods, but may differ from measures used by other companies. Due to the reduction in our retail location hours due to COVID-19 during late in the first quarter of 2020, and the variability in COVID-19 related restrictions imposed by state and local governments such as occupancy levels and business regulations that can affect demand for our in-store products and services, comparable store sales is not a meaningful metric for 2021, and therefore is not provided.

The Retail Division operating income was \$306 million in 2021 compared to \$275 million in 2020, an increase of 11% year-over-year. As a percentage of sales, operating income increased approximately 140 basis points. The comparative increase in operating income in 2021 was mostly attributable to lower selling, general and administrative expenses resulting from continuous efforts to optimize costs, lower operating lease costs recognized as a result of store closures, and improved product margin. These improvements have more than offset the flow-through impact of lower sales in 2021. Our Retail Division operating income increased 42% in 2020 compared to 2019. As a percentage of sales, this reflects a year-over-year increase of approximately 220 basis points. The increase in operating income was mostly attributable to lower selling, general and administrative expenses resulting from continuous efforts to optimize costs. These improvements more than offset the flow-through impact of lower sales.

At the end of 2021, the Retail Division operated a total of 1,038 retail stores in the United States, Puerto Rico and the U.S. Virgin Islands. Retail store opening and closing activity for the last three years has been as follows:

	Open at Beginning of Period	Closed	Opened	Open at End of Period
2019	1,361	54	—	1,307
2020	1,307	153	—	1,154
2021	1,154	116	—	1,038

Charges associated with store closures as part of a restructuring plan are reported in Asset impairments and Merger, restructuring and other operating expenses, net in the Consolidated Statements of Operations. In addition, as part of our periodic recoverability assessment of owned retail stores and distribution center assets, and operating lease ROU assets, we recognize impairment charges in the Asset impairments line item of our Consolidated Statements of Operations. These charges are reflected in Corporate reporting and are not included in the determination of Division operating income. Refer to “Corporate” discussion below for additional information regarding expenses incurred to date.

OTHER

(In millions)	2021	2020	2019
Sales	\$ 31	\$ 22	\$ 25
Other operating loss	\$ (29)	\$ (1)	\$ —

The operating results of our Varis operating segment, which was created in 2021 and includes the operating results of BuyerQuest since its acquisition on January 29, 2021, did not meet the criteria to be reported as a reportable segment as its results are not significant. Accordingly, the operating results of Varis are presented as Other. Sales of Varis were \$5 million in 2021. Certain operations previously included in the International Division, including our global sourcing and trading operations in the Asia/Pacific region, which we have retained, are also not significant and have been presented as Other.

CORPORATE

The line items in our Consolidated Statements of Operations impacted by Corporate activities are presented in the table below, followed by a narrative discussion of the significant matters. These activities are managed at the Corporate level and, accordingly, are not included in the determination of Division income for management reporting or external disclosures.

<i>(In millions)</i>	2021	2020	2019
Asset impairments	\$ 20	\$ 182	\$ 56
Merger and restructuring expenses, net	51	102	86
Total charges and credits impact on Operating income	\$ 71	\$ 284	\$ 142

In addition to these charges and credits, certain selling, general and administrative expenses are not allocated to the Divisions and are managed at the Corporate level. Those expenses are addressed in the section "Unallocated Costs" below.

Asset impairments

Asset impairment charges are comprised of the following:

<i>(In millions)</i>	2021	2020	2019
Retail stores	\$ 20	\$ 60	\$ 54
Goodwill and other intangible assets	—	115	2
Other	—	7	—
Total Asset impairments	\$ 20	\$ 182	\$ 56

In 2021, 2020 and 2019, we recognized asset impairment charges of \$20 million, \$182 million and \$56 million, respectively, related to our continuing operations. Of the asset impairment charges in 2021, \$16 million was related to the impairment of operating lease ROU assets associated with our retail store locations, and the remainder was related to impairment of fixed assets. Of the asset impairment charges in 2020, \$115 million was related to impairment of goodwill in our Contract reporting unit, \$48 million was related to the impairment of operating lease ROU assets associated with our retail store locations, \$12 million was related to impairment of fixed assets at these retail store locations, and the remaining related to a cost method investment and the write-down of intangible assets that are not currently used.

In addition to the impairment charges related to our continuing operations, we also recognized \$252 million and \$248 million in 2021 and 2020, respectively, related to impairment charges on goodwill and indefinite-lived intangible assets of our CompuCom division. These charges are presented as part of discontinued operations.

We regularly review retail store assets for impairment indicators at the individual store level, as this represents the lowest level of identifiable cash flows. When indicators of impairment are present, a recoverability analysis is performed which considers the estimated undiscounted cash flows over the retail store's remaining life and uses inputs from retail operations and accounting and finance personnel. These inputs include our best estimates of retail store-level sales, gross margins, direct expenses, exercise of future lease renewal options when reasonably certain to be exercised, and resulting cash flows, which, by their nature, include judgments about how current initiatives will impact future performance. In 2021, the assumptions used within the recoverability analysis for the retail stores were updated to consider current quarter retail store operational results and formal plans for future retail store closures as part of our restructuring programs, including the probability of closure at the retail store level. While it is generally expected that closures will approximate the store's lease termination date, it is possible that changes in store performance or other conditions could result in future changes in assumptions utilized. In addition, the assumptions used reflected declining sales over the forecast period, and gross margin and operating cost assumptions that are consistent with recent actual results and consider plans for future initiatives. If the undiscounted cash flows of a retail store cannot support the carrying amount of its assets, the assets are impaired and written down to estimated fair value. Our retail store assets recoverability analyses in 2021 also included the impact of the COVID-19 pandemic on the operations of our retail stores as described in the "Retail Division" section. As discussed above, there is uncertainty regarding the impact of the COVID-19 pandemic on the results of our operations in the first quarter of 2022 and beyond, which could result in future impairments of store assets if deemed unrecoverable.

During the fourth quarter of 2021, we performed our annual impairment assessment, which was as of the first day of fiscal month December. We used a quantitative assessment for our Contract, CompuCom, and Varis reporting units, and qualitative assessments for all other reporting units. The Contract reporting unit is a component of our Business Solutions Division segment, and the Varis reporting unit comprises the Varis segment, which was created in 2021 and is presented in Other. The quantitative assessment for the Contract and Varis reporting units combined the income approach and the market approach valuation methodologies and concluded that the fair value of these reporting units exceed their carrying amounts. The margin of passage for the Contract reporting unit was 16%. The quantitative assessment for the CompuCom reporting unit was based on the fair value of the CompuCom Division, indicated by the terms of the sales and purchase agreement related to its sale, and resulted in an impairment charge of \$112 million in the fourth quarter of 2021, reducing the goodwill for this reporting unit to zero. We had previously recorded a goodwill impairment charge of

\$103 million for the CompuCom reporting unit during the second quarter of 2021, based on an interim quantitative goodwill impairment test that was determined to be required due to the continued macroeconomic impacts of COVID-19 on CompuCom's current and projected future results of operations as further described below. These non-cash goodwill impairment charges associated with the CompuCom reporting unit totaling \$215 million are presented within the Discontinued operations, net of tax line for 2021 in the accompanying Consolidated Statements of Operations. At December 25, 2021, the CompuCom reporting unit does not have remaining goodwill in the accompanying Consolidated Balance Sheets. We will continue to evaluate the recoverability of goodwill at the reporting unit level on an annual basis and whenever events or changes in circumstances indicate there may be a potential impairment. If the operating results of our reporting units deteriorate in the future, including our Contract reporting unit which we are monitoring, it may cause the fair value of one or more of our reporting units to fall below their carrying amount, resulting in additional goodwill impairment charges. Further, while we are currently in a strong liquidity and capital position, a significant deterioration may have a material impact on our liquidity and capital in future periods.

Merger, restructuring and other operating expenses, net

We have taken actions to optimize our asset base and drive operational efficiencies. These actions include acquiring profitable businesses, closing underperforming retail stores and non-strategic distribution facilities, consolidating functional activities, eliminating redundant positions and disposing of non-strategic businesses and assets. The expenses and any income recognized directly associated with these actions are included in Merger, restructuring and other operating expenses, net on a separate line in the Consolidated Statements of Operations in order to identify these activities apart from the expenses incurred to sell to and service our customers. These expenses are not included in the determination of Division operating income. Merger, restructuring and other operating expenses, net were \$51 million in 2021, \$102 million in 2020 and \$86 million in 2019.

Maximize B2B Restructuring Plan

In May 2020, our Board of Directors approved a restructuring plan to realign our operational focus to support our "business-to-business" solutions and improve costs. Implementation of the Maximize B2B Restructuring Plan (as defined in Note 3. "Merger, Restructuring and Other Activity" in Notes to Consolidated Financial Statements) is expected to be substantially completed by the end of 2023. The Maximize B2B Restructuring Plan aims to generate savings through optimizing our retail footprint, removing costs that directly support our Retail business and additional measures to implement a company-wide low-cost business model, which will then be invested in accelerating the growth of our business-to-business platform. The plan is broader than restructuring programs we have implemented in the past and includes closing and/or consolidating retail stores and distribution facilities and the reduction of up to 13,100 employee positions by the end of 2023. We are evaluating the number and timing of retail store and distribution facility closures and/or consolidations. However, we generally expect that closures will approximate the store's lease termination date. We closed 111 retail stores under the Maximize B2B Restructuring Plan in 2021. We had closed 70 retail stores and two distribution facilities in 2020 under the Maximize B2B Restructuring Plan. We anticipate that additional retail stores will be closed in 2022. Total estimated restructuring costs related to the Maximize B2B Restructuring Plan are expected to be up to \$111 million, comprised of:

- (a) severance and related employee costs of approximately \$49 million;
- (b) facility closure costs of approximately \$34 million, which are mainly related to retail stores; and
- (c) other costs, including contract termination costs, to facilitate the execution of the Maximize B2B Restructuring Plan of approximately \$28 million.

The total costs of up to \$111 million above are less than our estimate of total costs for this restructuring plan when it had commenced, mainly as a result of the reduction in the number of expected retail store and distribution facility closures based upon our most recent evaluation of economic factors that influence expected store closures. There could be further fluctuations in the estimate of total expected costs in the future and timing of such costs as a result of an assessment of general market conditions and changes in our business strategy, including the potential sale of our consumer business or the Separation described in Recent Developments above. In addition, the reduction of employee positions may also be impacted as a result of fewer retail store closures and the changes in our business strategy. These total estimated restructuring costs of up to \$111 million above are expected to be cash expenditures through 2023 and funded primarily with cash on hand and cash from operations. We incurred \$95 million in restructuring expenses to implement the Maximize B2B Restructuring Plan since its inception in 2020 and through 2021, of which \$53 million were cash expenditures. Of these amounts, \$6 million of restructuring expenses and \$2 million of cash expenditures were related to CompuCom which is now presented in discontinued operations. As part of the optimization of our Retail footprint, potential closure prior to lease terms were considered. However, it is generally expected that closures would approximate their lease termination dates. Changes in future economic conditions and events may influence the decisions made which would not be a part of this plan. If stores are determined to be closed before the end of their lease term and the fair values of their assets are not sufficient to cover their carrying amounts, we may also incur non-cash asset impairment charges related to the operating lease ROU assets and fixed assets at these locations. The timing and amount of these future impairments will be dependent upon the decisions that will be made and whether the closures or disposals occur prior to the lease maturity dates or useful lives of the assets involved. Impairment charges on these assets, if any, will be reflected on the Asset impairments line item of our Consolidated Statements of Operations.

In 2021 we incurred \$14 million, net, in restructuring expenses associated with the Maximize B2B Restructuring Plan, which consisted of \$1 million in third-party professional fees, \$18 million of facility closure, contract termination and other costs, partially offset by \$2 million in reversal of employee severance accruals due to changes in estimates and a \$3 million gain on sale of retail store assets. The facility closure costs were mainly related to retail store closure accruals and accelerated depreciation. In 2021, we made cash payments of \$24 million associated with expenditures for the Maximize B2B restructuring plan.

USR Parent, Inc. proposals

During the first quarter of 2021, as described in the “Recent Developments” section above, we received two proposals from USR Parent, Inc., the parent company of Staples Inc. and a portfolio company of Sycamore Partners, to acquire 100% of the Company’s issued and outstanding stock or certain assets of the Company. After careful review and consideration of the proposals and in consultation with financial and legal advisors, our Board of Directors unanimously concluded that the transactions described in the proposals were not in the best interest of the Company and its shareholders, and that there was a more compelling path forward to create value. We filed statements on Schedule 14D-9 with the SEC on January 19, 2021 and March 15, 2021 containing the Board of Directors’ recommendation. Also, on March 31, 2021, USR Parent, Inc. publicly announced that it decided to defer the March 2021 launch of a tender offer for our common stock while reserving the right to commence one in the future.

During the second quarter of 2021, we received a third proposal from USR Parent, Inc. to acquire our consumer facing business, including our retail stores, and USR Parent, Inc. reiterated its intention to commence a tender offer if negotiations for an alternative transaction are not successful. Our Board of Directors is carefully reviewing this proposal with the assistance of its financial and legal advisors to determine the course of action that it believes is in the best interests of the Company and its shareholders. In November 2021, USR Parent, Inc. reaffirmed this third proposal to acquire the Company’s consumer business and announced its decision to abandon its previously announced intent to commence a tender offer for all of the outstanding shares of the Company. We incurred \$5 million in third-party professional fees related to the evaluation of USR Parent, Inc.’s proposals 2021, including expenses incurred in connection with a CID from the FTC, which is conducting an investigation of USR Parent, Inc.’s proposals.

In order to relieve us from the continuation of a costly and burdensome process, the FTC has agreed to defer requiring further responses from us unless and until USR Parent, Inc. formally launches a tender offer, or the parties execute a negotiated agreement. Additionally, on May 4, 2021 the Bureau advised us that it has determined that USR Parent, Inc.’s proposed acquisition of the Company would likely result in a substantial lessening or prevention of competition in the sale of business essentials to enterprise customers in Canada. While it is not known for certain what the Bureau would do if USR Parent, Inc. actually launches a tender offer in the future, the Bureau’s determination signals that the Bureau would likely challenge the acquisition. However, we cannot be certain that USR Parent, Inc. will not commence a tender offer in the future. We anticipate that we will incur additional significant legal and other expenses throughout this process if USR Parent, Inc. pursues a tender offer.

Planned Separation of Consumer Business

In May 2021, our Board of Directors unanimously approved a plan to pursue a separation of the Company into two independent, publicly traded companies. We incurred \$32 million in third-party professional fees associated with the planned Separation in 2021. As further discussed in Recent Developments above, we have determined to delay further work on the Separation in order to avoid incurring potentially unnecessary separation costs while we focus on a potential sale of the consumer business. If completed, we currently estimate that costs to complete the Separation will exceed \$100 million, and are expected to relate primarily to third-party professional fees, retention payments to certain employees, and other costs directly related to the Separation, although such estimate is subject to a number of assumptions and uncertainties.

Other

Included in restructuring charges in 2020 and 2019 are \$19 million and \$68 million, respectively, of costs incurred in connection with our Business Acceleration Plan. These costs included third-party professional fees, retail and facility closure costs and other costs. The Business Acceleration Program was announced in 2019 and largely concluded at the end of 2020. In connection with the Business Acceleration Program, we closed 82 underperforming retail stores and one other facility in 2020, and seven other facilities, consisting of distribution centers and sales offices, were closed in 2019. Additionally, restructuring expenses in 2020 included \$3 million in third-party professional fees incurred in connection with the Reorganization.

In 2021 we did not have transaction and integration expenses. We incurred \$5 million in 2020 related to legal, accounting, and other third-party expenses incurred in connection with acquisitions and business integration activities.

Refer to Note 3. “Merger and Restructuring and Other Activity” in Notes to Consolidated Financial Statements for an extensive analysis of these Corporate charges.

Unallocated Expenses

We allocate to our Divisions functional support expenses that are considered to be directly or closely related to segment activity. These allocated expenses are included in the measurement of Division operating income. Other companies may charge more or less for functional support expenses to their segments, and our results, therefore, may not be comparable to similarly titled measures used by other companies. The unallocated expenses primarily consist of the buildings used for our corporate headquarters and personnel not directly supporting the Divisions, including certain executive, finance, legal, audit and similar functions.

Unallocated expenses were \$91 million, \$100 million, and \$99 million in 2021, 2020, and 2019, respectively. The decrease in 2021 compared to 2020 is primarily due to lower Corporate incentive expenses associated with our overall performance and lower legal expenses.

Other Income and Expense

<i>(In millions)</i>	2021	2020	2019
Interest income	\$ 1	\$ 4	\$ 22
Interest expense	(28)	(42)	(89)
Loss on extinguishment and modification of debt	—	(12)	—
Other income, net	24	6	21

Interest income includes \$2 million in 2020 and \$19 million in 2019 related to the Timber notes receivable, which matured in January 2020, including amortization of the fair value adjustment recorded in purchase accounting.

In April 2020, we entered into the Third Amended Credit Agreement which provided for an aggregate principal amount of up to \$1.3 billion asset-based revolving credit facility and asset-based FILO Term Loan Facility (as defined in Note 10. "Debt" in Notes to Consolidated Financial Statements), maturing in April 2025. We recorded \$5 million and \$6 million of interest expense in 2021 and 2020, respectively, related to the Third Amended Credit Agreement. We recorded \$10 million and \$40 million of interest expense in 2020 and 2019, respectively, related to the Term Loan Credit Agreement. In April 2020, we repaid the remaining balance under the Term Loan Credit Agreement in full and terminated it. We recognized \$12 million of loss from the extinguishment and modification of debt related to this transaction in 2020, which primarily included the write-off of the remaining unamortized original issue discount and debt issuance costs of the Term Loan Credit Agreement. Refer to Note 10. "Debt" in Notes to Consolidated Financial Statements for additional information. We also recorded interest expense related to our finance lease obligations and revenue bonds in all periods presented.

Other income, net includes the pension credit related to the frozen OfficeMax pension and other benefit plans, as well as the pension credit related to the pension plan in the United Kingdom that has been retained by us in connection with the sale of the European Business. We also recorded \$7 million of other income, net related to the release of certain liabilities of our former European Business in 2021.

Income Taxes

<i>(In millions)</i>	2021	2020	2019
Income tax expense	\$ 44	\$ 25	\$ 51
Effective income tax rate*	19%	(66)%	29%

* Income taxes as a percentage of income from continuing operations before income taxes.

During 2021 and 2020, the mix of income and losses across jurisdictions, although still applicable, has become less of a factor in influencing our effective tax rates due to limited international operations and improved operating results. Our effective tax rates were 19%, (66%) and 29% in 2021, 2020 and 2019 respectively. In 2021, our effective rate was primarily impacted by the recognition of a tax windfall associated with stock-based compensation awards and recognition of tax benefits due to an agreement reached with the IRS related to a prior tax position. These factors, along with the impact of state taxes and the mix of income and losses across U.S. and non-U.S. jurisdictions, caused our effective tax rate to differ from the statutory rate of 21%. Our effective tax rate for prior periods has varied considerably primarily due to the impact of goodwill impairment, state taxes, excess tax deficiencies associated with stock-based compensation awards and certain nondeductible items and the mix of income and losses across U.S. and non-U.S. jurisdictions. Changes in pretax income projections and the mix of income across jurisdictions could impact the effective tax rates in future quarters.

We continue to have a U.S. valuation allowance for certain U.S. Federal credits and state tax attributes, which relate to deferred tax assets that require either certain types of income or for income to be earned in certain jurisdictions in order to be realized. We will continue to assess the realizability of our deferred tax assets in the U.S. and remaining foreign jurisdictions in future periods. Changes in pretax income projections could impact this evaluation in future periods.

It is anticipated that no material tax positions will be resolved within the next 12 months. Additionally, we anticipate that it is reasonably possible that new issues will be raised or resolved by tax authorities that may require changes to the balance of unrecognized tax benefits; however, an estimate of such changes cannot reasonably be made.

We file a U.S. Federal income tax return and other income tax returns in various states and foreign jurisdictions. With few exceptions, we are no longer subject to U.S. Federal and state and local income tax examinations for years before 2019 and 2016, respectively. The acquired OfficeMax U.S. consolidated group is no longer subject to U.S. Federal income tax examination and with few exceptions, is no longer subject to U.S. state and local income tax examinations for years prior to 2016. Our U.S. Federal income tax returns for 2020 are currently under review. Generally, we are subject to routine examination for years 2016 and forward in our international tax jurisdictions.

Refer to Note 6. "Income Taxes" in Notes to Consolidated Financial Statements for additional tax discussion.

Discontinued Operations

Refer to Note 17. "Discontinued Operations" in Notes to Consolidated Financial Statements for information regarding the CompuCom Division which is accounted for as discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

At December 25, 2021, we had \$514 million in cash and cash equivalents, a decrease of \$215 million from December 26, 2020. In addition, at the end of fiscal 2021 we had \$877 million of available credit under the Third Amended Credit Agreement (as defined in Note 10. "Debt" in Notes to Consolidated Financial Statements) based on the December 2021 borrowing base certificate, for a total liquidity of approximately \$1.4 billion, decreased from \$1.7 billion at the end of fiscal 2020. Excluding CompuCom, which was sold on December 31, 2021, we have \$776 million of available credit under the Third Amended Credit Agreement. Despite the weaker global economic conditions and the uncertainties related to the impacts of the COVID-19 pandemic, we currently believe that as a result of our strong financial position, including our cash and cash equivalents on hand, availability of funds under the Third Amended Credit Agreement, and future year cash flows generated from operations, we will be able to fund our working capital, capital expenditures, debt repayments, common stock repurchases, dividends (if any), merger integration and restructuring expenses, the potential sale or Separation of our consumer business, and future acquisitions consistent with our strategic growth initiatives for at least twelve months from the date of this Annual Report. From time to time, we may prepay outstanding debt and/or restructure or refinance debt obligations. As the impact of the COVID-19 pandemic on the global and national economies and our operations evolve, we will continue to assess our liquidity needs.

Financing

As disclosed in Note 10. "Debt" in Notes to Consolidated Financial Statements, on April 17, 2020, we entered into the Third Amended and Restated Credit Agreement, which provides for a \$1.2 billion asset-based revolving credit facility and a \$100 million asset-based FILO Term Loan Facility, for an aggregate principal amount of up to \$1.3 billion (the "New Facilities"). The New Facilities mature in April 2025. The Third Amended and Restated Credit Agreement replaces our then existing amended and restated credit agreement that was due to mature in May 2021. Upon the closing of the transaction, we made an initial borrowing in the amount of \$400 million under the New Facilities. These proceeds, along with available cash on hand, were used to repay in full the remaining \$388 million balance under the Term Loan Credit Agreement and terminate it and to repay approximately \$66 million of other debt and related interest. We recognized \$12 million of loss from the extinguishment and modification of debt related to this transaction in the second quarter of 2020, which primarily included the write-off of the remaining unamortized original issue discount and debt issuance costs of the Term Loan Credit Agreement as of the closing date of the transaction. During the third quarter of 2020, we repaid \$300 million of revolving loans outstanding under the Third Amended Credit Agreement.

There were no revolving loans outstanding, \$100 million of outstanding FILO Term Loan Facility loans, and \$49 million of outstanding standby letters of credit under the Third Amended Credit Agreement at the end of 2021, and we were in compliance with all applicable covenants as of December 25, 2021.

Strategic Transformation

In addition to the acquisitions disclosed herein, we have evaluated, and expect to continue to evaluate, possible acquisitions and dispositions of businesses and assets in connection with our strategic transformation. Such transactions may be material and may involve cash, our securities or the incurrence of additional indebtedness (Refer to Note 2. "Acquisitions" in Notes to Consolidated Financial Statements for additional information).

We announced a plan to pursue a separation of the Company into two independent, publicly traded companies, expected to be structured as a tax-free spin-off of our consumer business. The Separation was intended to be completed in the middle of 2022, subject to customary conditions as disclosed herein, however, as further discussed in Recent Developments above, we have determined to delay further work on the Separation in order to avoid incurring potentially unnecessary separation costs while we focus on a potential sale of the consumer business. If completed, we expect to incur significant costs in connection with the planned Separation, which we currently estimate to exceed \$100 million, although such estimate is subject to a number of assumptions and uncertainties. We also expect to incur significant costs associated with exploring the potential sale of our consumer business, which are expected to relate primarily to third-party professional fees, including legal fees. Refer to the “Recent Developments” section for further information. There can be no assurances regarding the ultimate timing of the Separation or that an alternative transaction will be completed.

Capital Expenditures

In 2022, we expect to incur capital expenditures of up to approximately \$110 million, including investments to support our business priorities. These expenditures will be funded through available cash on hand and operating cash flows.

Capital Return Programs – Share Repurchases and Dividends

In May 2021, our Board of Directors approved a new stock repurchase program of up to \$300 million, available through June 30, 2022, which replaced the Company’s then existing \$200 million stock repurchase program. On November 16, 2021, the Company entered into an ASR to repurchase shares of our common stock in exchange for an up-front payment \$150 million and increased the authorization to \$450 million. The total number of shares ultimately delivered under the ASR, and therefore the average repurchase price paid per share, will be determined based on the volume weighted-average price of our stock during the purchase period less a discount. The repurchase period runs through June 2022. We received 2.8 million shares of our common stock at the initiation of the ASR, which has increased treasury stock by \$120 million, and the \$30 million additional up-front payment was accounted for as a reduction in additional paid in capital. The ASR is a forward contract indexed to our common stock and met all of the applicable criteria for equity classification; therefore, it was not accounted for as a derivative instrument. Expenses incurred in connection with the ASR were recorded as a charge to additional paid in capital. Our Board of Directors reviewed the existing capital allocation programs in connection with the sale of CompuCom, and on December 31, 2021, authorized an additional \$200 million for share repurchases under the existing stock repurchase program, for a total authorization of \$650 million. The new authorization may be suspended or discontinued at any time. Under the new stock repurchase program, we repurchased approximately 6 million shares at the cost of \$277 million in 2021.

The stock repurchase authorization permits us to repurchase stock from time-to-time through a combination of open market repurchases, privately negotiated transactions, 10b5-1 trading plans, accelerated stock repurchase transactions and/or other derivative transactions. The exact number and timing of stock repurchases will depend on market conditions and other factors, and will be funded through available cash balances. Our Third Amended Credit Agreement permits restricted payments, such as common stock repurchases, but may be limited if we do not meet the required minimum liquidity or fixed charge coverage ratio requirements. The authorized amount under the stock repurchase program excludes fees, commissions or other expenses.

In May 2020, in order to preserve liquidity during the COVID-19 pandemic and in light of the uncertainties as to its duration and economic impact, our Board of Directors suspended the Company’s quarterly cash dividend beginning in the second quarter of fiscal 2020. There was no quarterly cash dividend declared and paid in fiscal 2021, and our quarterly cash dividend remains suspended. Prior to its suspension, dividends have been recorded as a reduction to additional paid-in capital as we are in an accumulated deficit position. Our Third Amended Credit Agreement permits restricted payments, such as dividends, but may be limited if we do not meet the required minimum liquidity or fixed charge coverage ratio requirements.

We will continue to evaluate our capital return programs as appropriate. Decisions regarding future share buybacks and dividends are within the discretion of our Board of Directors, and depend on a number of factors, including, general business and economic conditions, which includes the impact of COVID-19 on such conditions, and other factors which are discussed in this discussion and analysis and “Risk Factors” within Other Key Information in this Annual Report.

CASH FLOWS

Cash provided by (used in) operating, investing and financing activities of continuing operations is summarized as follows:

<i>(In millions)</i>	2021		2020		2019	
Operating activities of continuing operations	\$	344	\$	425	\$	380
Investing activities of continuing operations		(75)		746		(109)
Financing activities of continuing operations		(459)		(1,193)		(200)

Operating Activities from Continuing Operations

Cash provided by operating activities from continuing operations was \$344 million in 2021, compared to \$425 million in 2020. This decrease in cash flows from operating activities was primarily driven by \$103 million less cash inflows from working capital, partially offset by \$39 million more income from operations, after adjusting for non-cash charges. Working capital is influenced by a number

of factors, including period end sales, the flow of goods, credit terms, timing of promotions, vendor production planning, new product introductions and working capital management. In 2021, the primary driver for less inflows from working capital improvements was the increase in our receivables as a result of more sales on credit in 2021, as compared to a reduction in receivables in 2020 due to the impacts of COVID-19. Working capital was also impacted by a smaller decrease in our inventories.

Cash provided by operating activities of continuing operations increased by \$45 million during 2020 when compared to 2019. This increase was primarily driven by \$158 million more cash inflow from working capital, partially offset by \$89 million less usage of deferred tax assets against current obligations and \$24 million less net income after adjusting for non-cash charges.

For our accounting policy on cash management, refer to Note 1. “Summary of Significant Accounting Policies” in Notes to Consolidated Financial Statements.

Investing Activities from Continuing Operations

Cash used by investing activities from continuing operations was \$75 million in 2021, which was primarily driven by \$29 million in business acquisitions, net of cash acquired, and \$73 million in capital expenditures associated with improvements in our service platform, distribution network, and eCommerce capabilities. These outflows were partially offset by the cash proceeds from our company-owned life insurance policies of \$22 million and proceeds from sale of assets of \$5 million.

Cash provided in investing activities of continuing operations was \$746 million in 2020, primarily driven by the cash proceeds from the collection of the Timber notes receivable of \$818 million, and partially offset by \$30 million in business acquisitions, net of cash acquired, and \$58 million in capital expenditures. These outflows were partially offset by the cash proceeds from our company-owned life insurance policies of \$13 million and proceeds from sale of assets of \$3 million.

Financing Activities from Continuing Operations

Cash used in financing activities of continuing operations was \$459 million in 2021. The cash outflow in 2021 primarily consisted of \$125 million of net payments on short- and long-term borrowings activity related to our debt, including retirement, \$277 million in repurchases of common stock including commission, \$30 million advance payment for accelerated share repurchase and \$26 million share purchases for taxes, net of proceeds, for employee share-based transactions.

Cash used in financing activities of continuing operation was \$1.2 billion in 2020, primarily driven by activity related to our debt, which included \$735 million Non-recourse debt retirement, \$388 million Term Loan Credit Agreement retirement, \$64 million on borrowings associated with our company-owned life insurance policies, \$300 million of payments under our Third Amended Credit Agreement, \$41 million net repayments on other long- and short-term borrowings, \$9 million revenue bond maturity, and \$6 million of debt related fees, offset by \$400 million of debt proceeds under the Third Amended Credit Agreement. We also used \$13 million in payment of cash dividends and \$30 million in repurchases of common stock, including commissions.

Discontinued Operations

Cash provided by (used in) operating, investing and financing activities of discontinued operations is summarized as follows:

<i>(In millions)</i>	2021		2020		2019	
Operating activities of discontinued operations	\$	2	\$	60	\$	(14)
Investing activities of discontinued operations		(4)		(10)		(10)
Financing activities of discontinued operations		—		—		(12)

Cash provided by operating activities from discontinued operations was \$2 million in 2021, compared to \$60 million in 2020. The change in operating cash flows of discontinued operations in the comparative period was primarily driven by more cash outflows from working capital in discontinued operations in 2021. Cash provided by operating activities from discontinued operations increased by \$74 million in 2020 compared to 2019.

Cash used in investing activities from discontinued operations was \$4 million in 2021, compared to \$10 million in 2020. The change in investing cash flows of discontinued operations in the comparative period reflects the reduction in capital expenditures in discontinued operations. Cash used in investing activities from discontinued operations was \$10 million in 2019.

Contractual Obligations

Contractual obligations for future payments at December 25, 2021 primarily relate to operating and finance lease commitments, obligations under our long-term debt, and purchase commitments.

Operating and financing leases represent minimum required lease payments during the noncancelable lease term. Most real estate leases also require payment of related operating expenses such as taxes, insurance, utilities, and maintenance, which are not included in our estimated lease obligation. Refer to Note 11. “Leases” in Notes to Consolidated Financial Statements for the maturities of our operating and finance lease obligations.

Long-term debt obligations consist primarily of expected payments of principal and interest on our \$100 million of outstanding FILO Term Loan Facility loans under the Third Amended Credit Agreement and \$76 million of revenue bonds at various interest rates. Refer to Note 10. “Debt” in Notes to Consolidated Financial Statements for the maturities of our long-term debt obligations.

Purchase obligations include all commitments to purchase goods or services of either a fixed or minimum quantity that are enforceable and legally binding on us that meet any of the following criteria: (1) they are non-cancelable, (2) we would incur a penalty if the agreement was cancelled, or (3) we must make specified minimum payments even if we do not take delivery of the contracted products or services. If the obligation is non-cancelable, the entire value of the contract is included as a purchase obligation. If the obligation is cancelable, but we would incur a penalty if cancelled, the dollar amount of the penalty is included as a purchase obligation. If we can unilaterally terminate an agreement simply by providing a certain number of days’ notice or by paying a termination fee, the amount of the termination fee or the amount that would be paid over the “notice period” is included as a purchase obligation. As of December 25, 2021, purchase obligations include marketing services, outsourced accounting services, certain fixed assets and software licenses, service and maintenance contracts for information technology and communication.

Our Consolidated Balance Sheet as of December 25, 2021 includes \$159 million classified as Deferred income taxes and other long-term liabilities. Deferred income taxes and other long-term liabilities primarily consist of net long-term deferred income taxes, deferred lease credits, long-term restructuring accruals, certain liabilities under our deferred compensation plans, accruals for uncertain tax positions, and environmental accruals. Refer to Note 3. “Merger, Restructuring and Other Activity” in Notes to Consolidated Financial Statements for a discussion of our restructuring accruals and Note 6. “Income Taxes” in Notes to Consolidated Financial Statements for additional information regarding our deferred tax positions and accruals for uncertain tax positions.

Our Consolidated Balance Sheet as of December 25, 2021 also includes \$7 million of current and non-current pension and postretirement obligations. Our estimate is that payments in future years will total \$33 million. This estimate represents the minimum contributions required per Internal Revenue Service funding rules and our estimated future payments under pension and postretirement plans. Actuarially-determined liabilities related to pension and postretirement benefits are recorded based on estimates and assumptions. Key factors used in developing estimates of these liabilities include assumptions related to discount rates, rates of return on investments, healthcare cost trends, benefit payment patterns and other factors. Changes in assumptions related to the measurement of funded status could have a material impact on the amount reported. Refer to Note 14. “Employee Benefit Plans” in Notes to Consolidated Financial Statements for additional information.

In addition to the above, we have outstanding standby letters of credit totaling \$49 million at December 25, 2021.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Preparation of these statements requires management to make judgments and estimates. Some accounting policies and estimates have a significant impact on amounts reported in these financial statements. A summary of significant accounting policies can be found in Note 1. “Summary of Significant Accounting Policies” in Notes to Consolidated Financial Statements. We have also identified certain accounting policies and estimates that we consider critical to understanding our business and our results of operations and we have provided below additional information on those policies.

Inventory valuation — Inventories are stated at the lower of weighted average cost or net realizable value. We monitor active inventory for excessive quantities and slow-moving items and record adjustments as necessary to lower the value if the anticipated realizable amount is below cost. We also identify merchandise that we plan to discontinue or have begun to phase out and assess the estimated recoverability of the carrying value. This includes consideration of the quantity of the merchandise, the rate of sale, and our assessment of current and projected market conditions and anticipated vendor programs. If necessary, we record a charge to cost of sales to reduce the carrying value of this merchandise to our estimate of the lower of cost or realizable amount. Additional promotional activities may be initiated, and markdowns may be taken as considered appropriate until the product is sold or otherwise disposed. Estimates and judgments are required in determining what items to stock and at what level, and what items to discontinue and how to value them prior to sale.

We also recognize an expense in cost of sales for our estimate of physical inventory loss from theft, short shipments and other factors — referred to as inventory shrink. During the year, we adjust the estimate of our inventory shrink rate accrual following on-hand adjustments and our physical inventory count results. These changes in estimates may result in volatility within the year or impact comparisons to other periods.

Vendor arrangements — Inventory purchases from vendors are generally under arrangements that automatically renew until cancelled with periodic updates or annual negotiated agreements. Many of these arrangements require the vendors to make payments to us or provide credits to be used against purchases if and when certain conditions are met. We refer to these arrangements as “vendor programs.” Vendor programs fall into two broad categories, with some underlying sub-categories. The first category is volume-based rebates. Under those arrangements, our product costs per unit decline as higher volumes of purchases are reached. Current accounting rules provide that companies with a reasonable basis for estimating their full year purchases, and therefore the ultimate rebate level, can use that estimate to value inventory and cost of goods sold throughout the year. We believe our history of purchases with many vendors provides us with a basis for our estimates of purchase volume. If the anticipated volume of purchases is not reached, however, or if we form the belief at any point in the year that it is not likely to be reached, cost of goods sold and the remaining inventory

balances are adjusted to reflect that change in our outlook. We review sales projections and related purchases against vendor program estimates at least quarterly and adjust these balances accordingly.

The second broad category of arrangements with our vendors is event-based programs. These arrangements can take many forms, including advertising support, special pricing offered by certain of our vendors for a limited time, payments for special placement or promotion of a product, reimbursement of costs incurred to launch a vendor's product, and various other special programs. These payments are classified as a reduction of costs of goods sold or inventory, based on the nature of the program and the sell-through of the inventory. Some arrangements may meet the specific, incremental, identifiable cost criteria that allow for direct operating expense offset, but such arrangements are not significant.

Vendor programs are recognized throughout the year based on judgment and estimates and amounts due from vendors are generally settled throughout the year based on purchase volumes. The final amounts not already collected from vendors are generally known soon after year-end and are reflected in our results of operations. Substantially all vendor program receivables outstanding at the end of the year are settled within the three months following year-end. We believe that our historical collection rates of these receivables provide a sound basis for our estimates of anticipated vendor payments throughout the year.

Long-lived asset impairments — Long-lived assets with identifiable cash flows are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We assess recovery of the asset or asset groups using estimates of cash flows directly associated with the future use and eventual disposition of the asset or asset groups. If anticipated cash flows are insufficient to recover the asset on an undiscounted basis, impairment is measured as the difference between the asset's estimated fair value (generally, the discounted cash flows or its salvage value) and its carrying value, and any costs of disposition. Factors that could trigger an impairment assessment include, among others, a significant change in the extent or manner in which an asset is used or the business climate that could affect the value of the asset. As restructuring activities continue, we may identify assets or asset groups for sale or abandonment and incur impairment charges.

Because of declining sales, store assets are reviewed periodically throughout the year for recoverability of their asset carrying amounts. The frequency of this test may change in future periods if performance warrants. The analysis uses input from retail store operations and our accounting and finance personnel that organizationally report to the Chief Financial Officer. These projections are based on our estimates of store-level sales, gross margins, direct expenses, and resulting cash flows and, by their nature, include judgments about how current initiatives will impact future performance.

Important assumptions used in these projections include an assessment of future overall economic conditions, our ability to control future costs, maintain aspects of positive performance, and successfully implement initiatives designed to enhance sales and gross margins. Our assumptions in 2021 also included the impact of the COVID-19 pandemic on store asset recoverability. Due to the nature of products sold, our retail stores were considered to be essential by most local jurisdictions and as a result, the substantial majority of our retail stores have remained open and operational with the appropriate safety measures in place since the beginning of the COVID-19 outbreak, including a curbside pickup option. Since late in the first quarter of 2020, we have temporarily reduced retail location hours by one to two hours daily, which continues to be in effect at the majority of our retail locations. Our recoverability assessment in 2021 included evaluating the impact of these developments. To the extent our estimates of future performance are not realized, future assessments could result in material impairment charges.

Goodwill and other intangible assets — Goodwill represents the excess of the purchase price of an acquired entity over the fair value of the net tangible and intangible assets acquired and liabilities assumed in a business combination. We review the carrying amount of goodwill at the reporting unit level on an annual basis as of the first day of fiscal month December, or more frequently, if events or changes in circumstances suggest that goodwill may not be recoverable. For those reporting units where events or change in circumstances indicate that potential impairment indicators exist, we perform a quantitative assessment to determine whether the carrying amount of goodwill can be recovered. A significant amount of judgment is involved in determining if an indicator of impairment has occurred.

When performing the annual goodwill impairment test, we may start with an optional qualitative assessment which involves the evaluation of all events and circumstances, including both positive and negative events, in their totality, to determine whether it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. If we bypass the qualitative assessment, or if the qualitative assessment indicates that a quantitative analysis should be performed, we evaluate goodwill for impairment by comparing the fair value of a reporting unit to its carrying value, including the associated goodwill. We estimate the reporting unit's fair value using discounted cash flow analysis and market-based evaluations, when available. If the carrying amount of the reporting unit exceeds the estimated fair value, an impairment charge is recorded to reduce the carrying value to the estimated fair value. We typically use a combination of valuation approaches that are dependent on several significant estimates and assumptions related to forecasts of future revenues, cost of sales, expenses and the weighted-average cost of capital for each reporting unit. These estimates and assumptions included consideration related to the impact of COVID-19 on our reporting units. Any adverse change in these factors could have a significant impact on the recoverability of goodwill and could have a material impact on our financial statements. Refer to Note 9. "Goodwill and Other Intangible Assets" in Notes to Consolidated Financial Statements for additional information.

Other intangible assets primarily include customer relationship values and, trade names and technology, which primarily related to the CompuCom acquisition and OfficeMax merger. The customer relationship and trade name related to CompuCom are classified within Assets Held for Sale in the Consolidated Financial Statements. The original valuation of our customer relationship values assumed continuation of attrition rates previously experienced with these businesses and synergy benefits from the transactions. If we experience an unanticipated decline in sales or profitability associated with these customers, the remaining useful life will be reassessed and could result in either acceleration of amortization or impairment.

Accounting for Business Combinations — We include the results of operations of acquired businesses in our consolidated results prospectively from the date of acquisition. Total purchase consideration of acquired businesses may include contingent consideration based on the future results of operations of the acquired businesses. Significant judgements are required to estimate the future results of operations of the acquired businesses and the contingent consideration. Differences between the actual results of operations of the acquired businesses and the original estimate may result in additional contingent consideration liabilities. Changes in fair value of the contingent consideration may result in additional transaction related expenses. We allocate the fair value of purchase consideration to the assets acquired, liabilities assumed, and non-controlling interests in the acquired entity generally based on their fair values at the acquisition date. We use various valuation methodologies to estimate the fair value of assets acquired and liabilities assumed, including using a market participant perspective when applying cost, income and relief from royalty analyses, supplemented with market appraisals where appropriate. Significant judgments and estimates are required in preparing these fair value estimates. The excess of the fair value of purchase consideration over the fair value of the assets acquired, liabilities assumed and non-controlling interests in the acquired entity is recorded as goodwill. The primary items that generate goodwill include the value of the synergies between the acquired company and us and the value of the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset. Acquisition-related expenses and post-acquisition restructuring costs are recognized separately from the business combination and are expensed as incurred.

SIGNIFICANT TRENDS, DEVELOPMENTS AND UNCERTAINTIES

Competitive Factors — We continue to see development and growth of competitors in all segments of our business. In particular, Internet-based companies, mass merchandisers and wholesale clubs, as well as food and drugstore chains, have increased their assortment of home office merchandise, attracting additional back-to-school customers and year-round casual shoppers. We have seen substantial growth in the number of competitors that offer office products over the Internet, as well as the breadth and depth of their product offerings. As a result of the COVID-19 pandemic, we have seen a substantial increase in Internet-based purchasing by customers as they continue to make their purchases online and utilize curbside pickup or offered delivery services instead of going into stores. In addition to large numbers of smaller Internet providers featuring special price incentives and one-time deals (such as close-outs), we are experiencing strong competitive pressures from large Internet providers such as Amazon and Walmart that offer a full assortment of office products through direct sales and, in the case of Amazon, acting as a “storefront” for other specialty office product providers.

Wholesale clubs have expanded beyond their in-store assortment by adding catalogs and websites from which a much broader assortment of products may be ordered. We also face competition from other office supply stores that compete directly with us in numerous markets. This competition is likely to result in increased competitive pressures on pricing, product selection and services provided by our Business Solutions and Retail Divisions. Many of these retail competitors, including discounters, wholesale clubs, and drug stores and grocery chains, carry basic office supply products. Some of them also feature technology products. Many of them may price certain of these offerings lower than we do. This trend towards a proliferation of retailers offering a limited assortment of office products is a potentially serious trend that could shift purchasing away from office supply specialty retailers and adversely impact our results. Another trend in our office products industry has been consolidation, as competitors in office supply stores and the copy/print channel have been acquired and consolidated into larger, well-capitalized corporations. This trend towards consolidation, coupled with acquisitions by financially strong organizations, is potentially a significant trend in our office products industry that could impact our results. Additionally, consumers are utilizing more technology and purchasing less paper, ink and toner, physical file storage and general office supplies. Lower demand for printing paper is causing a decline in manufacturing and ensuing industry supply of paper products. This in turn is leading to a meaningful increase in paper cost, which we are not always able to pass along to our customers commensurably.

We regularly consider these and other competitive factors when we establish both offensive and defensive aspects of our overall business strategy and operating plans.

Economic Factors — Our customers in the Retail Division and certain of our customers in the Business Solutions Division are small and home office businesses. Accordingly, spending by these customers is affected by macroeconomic conditions, such as changes in the housing market and commodity costs, credit availability, inflation and other factors.

Liquidity Factors — We rely on our cash flow from operating activities, available cash and cash equivalents, and access to broad financial markets to provide the liquidity we need to operate our business and fund integration and restructuring activities. Together, these sources have been used to fund operating and working capital needs, as well as invest in business expansion through capital improvements and acquisitions. While we have in place a \$1.3 billion asset-based credit facility to provide liquidity, the economic factors affecting our business may limit our ability to access this credit facility in full or cause future refinancing terms to be less favorable than the terms of our current indebtedness.

MARKET SENSITIVE RISKS AND POSITIONS

We have adopted an enterprise risk management process patterned after the principles set out by the Committee of Sponsoring Organizations (COSO). We utilize a common view of exposure identification and risk management. A process is in place for periodic risk reviews and identification of appropriate mitigation strategies.

We have market risk exposure related to interest rates, foreign currency exchange rates, and commodities. Market risk is measured as the potential negative impact on earnings, cash flows or fair values resulting from a hypothetical change in interest rates or foreign currency exchange rates over the next year. Interest rate changes on obligations may result from external market factors. We manage our exposure to market risks at the corporate level. The portfolio of interest-sensitive assets and liabilities is monitored to provide liquidity necessary to satisfy anticipated short-term needs. Our risk management policies allow the use of specified financial instruments for hedging purposes only; speculation on interest rates, foreign currency rates, or commodities is not permitted.

Interest Rate Risk

We are exposed to the impact of interest rate changes on cash, cash equivalents, debt obligations, and defined benefit pension and other postretirement plans.

The impact on cash and cash equivalents held at December 25, 2021, from a hypothetical 50-basis-point change in interest rates, would be an increase or decrease in interest income of approximately \$3 million or \$1 million, respectively. The impact on our New Facilities loans at December 25, 2021, from a hypothetical 50-basis-point change in interest rates, would be an increase in interest expense of less than \$1 million.

The following table provides information about our debt portfolio outstanding as of December 25, 2021, that is sensitive to changes in interest rates. The following table does not include our obligations for pension plans and other postretirement benefits, although market risk also arises within our defined benefit pension plans to the extent that the obligations of the pension plans are not fully matched by assets with determinable cash flows. Refer to Note 14. “Employee Benefit Plans” in Notes to Consolidated Financial Statements for additional information about our pension plans and other postretirement benefits obligations.

<i>(In millions)</i>	2021			2020		
	Carrying Amount	Fair Value	Risk Sensitivity	Carrying Amount	Fair Value	Risk Sensitivity
Financial liabilities:						
Recourse debt:						
New Facilities loans under the Third Amended Credit Agreement, due 2025	\$ 100	\$ 100	\$ 1	\$ 100	\$ 100	\$ 1
Revenue bonds, due in varying amounts periodically through 2029	\$ 75	\$ 76	\$ 2	\$ 176	\$ 177	\$ 3
American & Foreign Power Company, Inc. 5% debentures, due 2030	\$ 15	\$ 16	\$ 1	\$ 15	\$ 14	\$ 1

The risk sensitivity of fixed rate debt reflects the estimated increase in fair value from a 50-basis-point decrease in interest rates, calculated on a discounted cash flow basis. The sensitivity of variable rate debt reflects the possible increase in interest expense during the next period from a 50-basis-point change in interest rates prevailing at year-end.

Foreign Exchange Rate Risk

We conduct business through our entities in Canada and China, where their functional currency is not the U.S. dollar. We continue to assess our exposure to foreign currency fluctuations against the U.S. dollar. As of December 25, 2021, a 10% change in the applicable foreign exchange rates would have resulted in an increase or decrease in our pretax earnings from continuing operations of less than \$1 million.

Commodities Risk

We operate a large network of stores and delivery centers. As such, we purchase fuel needed to transport products to our retail stores and customers as well as pay shipping costs to import products from overseas. We are exposed to potential changes in the underlying commodity costs associated with this transport activity.

We may enter into economic hedge transactions for a portion of our anticipated fuel consumption. These arrangements are marked to market at each reporting period. Some of these arrangements may not be designated as hedges for accounting purposes and changes in value are recognized in current earnings through the Cost of goods sold and occupancy costs line in the Consolidated Statements of Operations. Those that are designated as hedges for accounting purposes are also marked to market at each reporting period, with the change in value deferred in accumulated other comprehensive income until the related fuel is consumed. Currently, these economic hedging transactions are not considered material. As of December 25, 2021, excluding the impact of any hedge transaction, a 10% change in domestic commodity costs would have resulted in an increase or decrease in our operating profit of approximately \$6 million.

SEASONALITY

Our business experiences a certain level of seasonality, with sales generally trending lower in the second quarter, following the “back-to-business” sales cycle in the first quarter and preceding the “back-to-school” sales cycle in the third quarter and the holiday sales cycle in the fourth quarter for our Business Solutions and Retail Divisions. Certain working capital components may build and recede during the year reflecting established selling cycles. Business cycles can and have impacted our operations and financial position when compared to other periods. During 2021, the timing and duration of our back-to-business and back-to-school sales cycles were impacted by the COVID-19 pandemic. Refer to “COVID-19 Update” in MD&A for additional information.

NEW ACCOUNTING STANDARDS

For a description of new applicable accounting standards, refer to Note 1. “Summary of Significant Accounting Policies” in Notes to Consolidated Financial Statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to information in the “Market Sensitive Risks and Positions” in MD&A of this Annual Report.

CONTROLS AND PROCEDURES

MANAGEMENT’S DISCLOSURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives and management necessarily applies its judgment in evaluating the possible controls and procedures. Each reporting period, we carry out an evaluation, with the participation of our principal executive officer and principal financial officer, or persons performing similar functions, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act.

Based on management’s evaluation, our principal executive officer and principal financial officer have concluded that, as of December 25, 2021, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the principal executive officer and the principal financial officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Controls

There were no changes in our internal control over financial reporting during the fourth quarter of 2021, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our employees are working remotely due to the COVID-19 pandemic. We continually monitor and assess the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for ODP as defined in under Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance to our management and Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 25, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework (2013)*. Based on our assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 25, 2021.

Our internal control over financial reporting as of December 25, 2021, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report provided below.

To the Board of Directors and Shareholders of
The ODP Corporation
Boca Raton, Florida

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of The ODP Corporation and subsidiaries (the “Company”) as of December 25, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 25, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the fiscal year ended December 25, 2021, of the Company and our report dated February 23, 2022 expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Boca Raton, Florida
February 23, 2022

DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information concerning our executive officers is set forth under the caption “Information About Our Executive Officers” within Who Manages Our Business of this Annual Report.

Information required by this item with respect to our directors and the nomination process will be contained under the headings “Election of Directors” and “Corporate Governance,” respectively, in the proxy statement for our 2022 Annual Meeting of Shareholders to be filed with the SEC (the “Proxy Statement”) within 120 days after the end of our fiscal year, which information is incorporated by reference in this Annual Report.

Information required by this item with respect to our audit committee and our audit committee financial experts will be contained in the Proxy Statement under the heading “Corporate Governance – Board and Committee Responsibilities” and is incorporated by reference in this Annual Report.

Our Code of Ethical Behavior is in compliance with applicable rules of the SEC that apply to our principal executive officer, our principal financial officer, and our principal accounting officer or controller, or persons performing similar functions. A copy of the Code of Ethical Behavior is available free of charge on the “Investor Relations” section of our website, www.officedepot.com. We intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this Code of Ethical Behavior by posting such information on our website at the address and location specified above.

EXECUTIVE COMPENSATION

Information required by this item with respect to executive compensation and director compensation will be contained in the Proxy Statement under the headings “Compensation Discussion & Analysis” and “Director Compensation,” respectively, and is incorporated by reference in this Annual Report.

The information required by this item with respect to compensation committee interlocks and insider participation will be contained in the Proxy Statement under the heading “Compensation & Talent Committee Interlocks and Insider Participation” and is incorporated by reference in this Annual Report.

The compensation committee report required by this item will be contained in the Proxy Statement under the heading “Compensation & Talent Committee Report” and is incorporated by reference in this Annual Report.

The information required by this item with respect to compensation policies and practices as they relate to the Company’s risk management will be contained in the Proxy Statement under the heading “Corporate Governance” under the subheadings “Board Oversight of Risk,” “Role of the Board Committees in Risk Oversight,” and “Compensation Programs Risk Assessment” and are incorporated by reference in this Annual Report.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item with respect to securities authorized for issuance under the Company’s equity compensation plans will be contained in the Proxy Statement under the heading “Equity Compensation Plan Information” and is incorporated herein by reference in this Annual Report.

Information required by this item with respect to security ownership of certain beneficial owners and management will be contained in the Proxy Statement under the heading “Security Ownership of Certain Beneficial Owners and Management” and is incorporated by reference in this Annual Report.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item with respect to such contractual relationships and director independence will be contained in the Proxy Statement under the heading “Corporate Governance” under subheading “Certain Relationships and Related Person Transactions Policy” and under the heading “Election of Directors” under subheading “Director Independence and Independence Determinations” and is incorporated by reference in this Annual Report.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to principal accounting fees and services and pre-approval policies will be contained in the Proxy Statement under the heading “Ratification of Appointment of Independent Registered Public Accounting Firm” under subheadings “Audit and Non-Audit Fees” and “Audit Committee Pre-Approval Policies and Procedures,” respectively, and is incorporated by reference in this Annual Report.

EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as a part of this Annual Report:

1. The financial statements listed in Index to Financial Statements.
2. All other financial statements are omitted because the required information is not applicable, or because the information is included in the Company's Consolidated Financial Statements or the Notes to Consolidated Financial Statements.

The report of the Company's independent registered public accounting firm (PCAOB ID: 34) with respect to the above-referenced financial statements and their report on internal control over financial reporting are included in Item 8 and Item 9A of this Form 10-K. Their consent appears as Exhibit 23.1 of this Form 10-K.

3. Exhibits.

INDEX TO EXHIBITS FOR THE ODP CORPORATION 10-K

Exhibit Number	Exhibit
2.1	<u>Agreement and Plan of Merger, dated as of June 30, 2020, by and among Office Depot, Inc., The ODP Corporation, ODP Investment, LLC and Office Depot, LLC (Incorporated by reference from Exhibit 2.1 of The ODP Corporation's Form 8-K12B, filed with the SEC on July 1, 2020).</u>
3.1	<u>Amended and Restated Certificate of Incorporation of The ODP Corporation (Incorporated by reference from Exhibit 3.1 of The ODP Corporation's Form 8-K12B, filed with the SEC on July 1, 2020).</u>
3.2	<u>Amended and Restated Bylaws of The ODP Corporation (Incorporated by reference from Exhibit 3.2 of The ODP Corporation's Form 8-K12B, filed with the SEC on July 1, 2020).</u>
3.3	<u>Certificate of Designations of Series A Junior Participating Preferred Stock of The ODP Corporation (Incorporated by reference from Exhibit 3.3 of The ODP Corporation's Form 8-K12B, filed with the SEC on July 1, 2020).</u>
4.1	<u>Specimen Common Stock Certificate of The ODP Corporation (Incorporated by reference from Exhibit 4.2 of The ODP Corporation's Current Report on Form 8-K, filed with the SEC on July 1, 2020).</u>
4.2	<u>Description of The ODP Corporation's Securities.</u>
10.1	<u>Office Depot, Inc. 2019 Long-Term Incentive Plan (Incorporated by reference from Annex 1 to the Proxy Statement for Office Depot, Inc.'s 2019 Annual Meeting of Shareholders, filed with the SEC on March 20, 2019).*</u>
10.2	<u>Office Depot, Inc. 2017 Long-Term Incentive Plan (Incorporated by reference from Exhibit 99.1 of Office Depot, Inc.'s Registration Statement on Form S-8, filed with the SEC on July 20, 2017).*</u>
10.3	<u>Form of Third Amended and Restated Credit Agreement, dated as of April 17, 2020, among Office Depot, Inc., Grand & Toy Limited/Grand & Toy Limit��, CompuCom Canada Co., as Borrowers, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other lenders referred to therein (Incorporated by reference from Exhibit 10.1 of Office Depot, Inc.'s Current Report on Form 8-K, filed with the SEC on April 20, 2020).</u>
10.4	<u>Form of Restricted Stock Unit Agreement (Executives) (Incorporated by reference from Exhibit 99.4 of Office Depot, Inc.'s Registration Statement on Form S-8, filed with the SEC on July 20, 2017).*</u>
10.5	<u>Form of AOI Performance Share Award Agreement (Executives) (Incorporated by reference from Exhibit 99.5 of Office Depot, Inc.'s Registration Statement on Form S-8, filed with the SEC on July 20, 2017).*</u>
10.6	<u>Form of TSR Performance Share Award Agreement (Executives) (Incorporated by reference from Exhibit 99.6 of Office Depot, Inc.'s Registration Statement on Form S-8, filed with the SEC on July 20, 2017).*</u>
10.7	<u>Employment Agreement between Office Depot, Inc. and Gerry P. Smith (Incorporated by reference from Exhibit 10.1 of Office Depot, Inc.'s Current Report on Form 8-K, filed with the SEC on January 30, 2017).*</u>
10.8	<u>2017 Non-Qualified Stock Option Award Agreement between Office Depot, Inc. and Gerry P. Smith (Incorporated by reference from Exhibit 10.2 of Office Depot, Inc.'s Current Report on Form 8-K, filed with the SEC on January 30, 2017).*</u>
10.9	<u>2017 Restricted Stock Unit Award Agreement between Office Depot, Inc. and Gerry P. Smith (Incorporated by reference from Exhibit 10.3 of Office Depot, Inc.'s Current Report on Form 8-K, filed with the SEC on January 30, 2017).*</u>

- 10.10 [Form of Restricted Stock Unit Award Agreement \(Incorporated by reference from Exhibit 99.3 of Office Depot, Inc.'s Registration Statement on Form S-8, filed with the SEC on June 19, 2015\).](#)*
- 10.11 [The Office Depot, Inc. Executive Change in Control Severance Plan effective August 1, 2014 \(Incorporated by reference from Exhibit 10.1 of Office Depot, Inc.'s Current Report on Form 8-K, filed with the SEC on August 7, 2014\).](#)*
- 10.12 [Amendment to Office Depot, Inc. Executive Change in Control Severance Plan effective as of August 10, 2020.](#)*
- 10.13 [Form of Office Depot, Inc. Indemnification Agreement \(Incorporated by reference from Exhibit 10.63 of Office Depot, Inc.'s Annual Report on Form 10-K, filed with the SEC on February 28, 2018\).](#)*
- 10.14 [Form of Restricted Stock Unit Agreement \(Executives\).\(Incorporated by reference from Exhibit 10.4 of Office Depot, Inc.'s Quarterly Report on Form 8-K, filed with the SEC on May 8, 2019\).](#)*
- 10.15 [Form of FCF Performance Share Award Agreement \(Executives\).\(Incorporated by reference from Exhibit 10.5 of Office Depot, Inc.'s Current Report on Form 8-K, filed with the SEC on May 8, 2019\).](#)*
- 10.16 [Form of TSR Performance Share Award Agreement \(Executives\).\(Incorporated by reference from Exhibit 10.6 of Office Depot, Inc.'s Current Report on Form 8-K, filed with the SEC on May 8, 2019\).](#)*
- 10.17 [Letter Agreement between Office Depot, Inc. and Mick Slattery \(Incorporated by reference from Exhibit 10.1 of Office Depot, Inc.'s Current Report on Form 8-K, filed with the SEC on June 25, 2019\).](#)*
- 10.18 [Letter Agreement, dated May 14, 2020, between Office Depot, Inc. and D. Anthony Scaglione \(Incorporated by reference from Exhibit 10.1 of Office Depot, Inc.'s Current Report on Form 8-K, filed with the SEC on June 18, 2020\).](#)*
- 10.19 [Amendment to Employment Agreement, dated July 1, 2020, by and between The ODP Corporation, Office Depot, LLC and Gerry P. Smith \(Incorporated by reference from Exhibit 10.2 of The ODP Corporation's Quarterly Report on Form 10-Q, filed with the SEC on November 5, 2020\).](#)*
- 10.20 [Assignment and Assumption Agreement, as of June 30, 2020, by and between The ODP Corporation and Office Depot, LLC \(Incorporated by reference from Exhibit 10.1 of The ODP Corporation's Form 8-K12B, filed with the SEC on July 1, 2020\).](#)
- 10.21 [Cooperation Agreement, by and among HG Vora Capital Management, LLC and The ODP Corporation, dated January 25, 2021 \(Incorporated by reference from Exhibit 10.1 of The ODP Corporation's Form 8-K, filed with the SEC on January 26, 2021\).](#)
- 10.22 [First Amendment to the Cooperation Agreement, by and among HG Vora Capital Management, LLC and The ODP Corporation, dated December 30, 2021 \(Incorporated by reference from Exhibit 10.1 of The ODP Corporation's Form 8-K, filed with the SEC on January 3, 2022\).](#)
- 10.23 [The ODP Corporation 2021 Long-Term Incentive Plan \(Incorporated by reference from Annex 1 of The ODP Corporation's Definitive Proxy Statement on Schedule 14A, filed with the SEC on March 12, 2021\).](#)*
- 10.24 [Form of 2021 Restricted Stock Unit Award Agreement \(Incorporated by reference from Exhibit 10.2 of The ODP Corporation's Form 8-K, filed with the SEC on April 21, 2021\).](#)*
- 10.25 [Form of 2021 Lump Sum Restricted Stock Unit Award Agreement \(Non-Employee Directors\).\(Incorporated by reference from Exhibit 10.3 of The ODP Corporation's Form 8-K, filed with the SEC on April 21, 2021\).](#)*
- 10.26 [Form of 2021 Installment Payment Restricted Stock Unit Award Agreement \(Non-Employee Directors\) \(Incorporated by reference from Exhibit 10.4 of The ODP Corporation's Form 8-K, filed with the SEC on April 21, 2021\).](#)*
- 10.27 [Form of 2021 FCF Performance Share Award Agreement \(Incorporated by reference from Exhibit 10.5 of The ODP Corporation's Form 8-K, filed with the SEC on April 21, 2021\).](#)*
- 10.28 [Form of 2021 TSR Performance Share Award Agreement \(Incorporated by reference from Exhibit 10.6 of The ODP Corporation's Form 8-K, filed with the SEC on April 21, 2021\).](#)*
- 10.29 [Executive Transition Agreement, dated as of September 28, 2021, by and between The ODP Corporation and N. David Bleisch \(Incorporated by reference from Exhibit 10.1 of The ODP Corporation's Quarterly Report on Form 10-Q, filed with the SEC on November 3, 2021\).](#)*
- 10.30 [Securities Purchase Agreement with Lincoln Merger Sub Two LLC, CompuCom Super Holdings LLC, and Project Heritage Acquisition, LLC, dated December 31, 2021.](#)

21	List of The ODP Corporation's Subsidiaries
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Principal Executive Officer required by Securities and Exchange Commission Rule 13a-14(a) or 15d-14(a).
31.2	Certification of Principal Financial Officer required by Securities and Exchange Commission Rule 13a-14(a) or 15d-14(a).
32.1	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 23rd day of February 2022.

THE ODP CORPORATION

By: /s/ GERRY P. SMITH
Gerry P. Smith
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on February 23, 2022.

Signature	Capacity
/s/ GERRY P. SMITH Gerry P. Smith	Chief Executive Officer (Principal Executive Officer), Director
/s/ D. ANTHONY SCAGLIONE D. Anthony Scaglione	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ RICHARD A. HAAS Richard A. Haas	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)
/s/ JOSEPH S. VASSALLUZZO Joseph S. Vassalluzzo	Chairman, Board of Directors
/s/ QUINCY L. ALLEN Quincy L. Allen	Director
/s/ KRISTIN A. CAMPBELL Kristin A. Campbell	Director
/s/ MARCUS B. DUNLOP Marcus B. Dunlop	Director
/s/ CYNTHIA T. JAMISON Cynthia T. Jamison	Director
/s/ SHASHANK SAMANT Shashank Samant	Director
/s/ WENDY L. SCHOPPERT Wendy L. Schoppert	Director
/s/ DAVID M. SZYMANSKI David M. Szymanski	Director

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
The ODP Corporation
Boca Raton, Florida

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of The ODP Corporation and subsidiaries (the "Company") as of December 25, 2021 and December 26, 2020, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows, for each of the three fiscal years in the period ended December 25, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 25, 2021 and December 26, 2020, and the results of its operations and its cash flows for each of the three fiscal years in the period ended December 25, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 25, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2022 expressed an unqualified opinion on the Company's internal control over financial reporting.

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 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. 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. 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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill — Refer to Notes 1 and 9 to the financial statements

Critical Audit Matter Description

The Company's consolidated goodwill balance was \$464 million at December 25, 2021. Goodwill is tested for impairment by management at least annually at the reporting unit level, or more often if an indicator of impairment is present, by comparing allocated carrying value of goodwill to the estimated fair value of the respective reporting unit or through a qualitative assessment to determine whether it is not more likely than not that the fair value of the reporting units is less than their respective carrying amounts. The determination of fair value of the reporting units, or events and conditions affecting fair value in the case of a qualitative analysis, require management to make significant estimates and assumptions related to forecasts of future revenues, cost of sales, expenses and the weighted-average cost of capital for each reporting unit. An adverse change in these factors could have a significant impact on the recoverability of goodwill and could have a material impact on the financial statements.

During the second quarter of 2021, the Company determined that, due to the sustained impacts of the COVID-19 pandemic, an indicator of potential impairment existed and performed an interim quantitative goodwill impairment test for its CompuCom reporting

unit. The Company used the market and discounted cash flow approaches to determine the fair value of its CompuCom reporting unit and recognized an impairment charge of \$114 million for the CompuCom reporting unit.

As of November 21, 2021, the Company performed its annual impairment assessment. The annual impairment assessment was performed using a quantitative assessment for the Contract, Varis and CompuCom reporting units. Based upon these tests, it was concluded that the fair value of the Contract and Varis reporting units exceeded their carrying amounts. The margin of passage for the Contract reporting unit was 16% and for Varis was 35%. The quantitative assessment of the CompuCom reporting unit was based on the fair value of the CompuCom division on its date of sale, December 31, 2021. As the sale resulted in a significant loss, the remaining goodwill balance of \$112M was written down to \$0.

Given the significant judgments made by management to estimate the fair value of the CompuCom, Contract, and Varis reporting units, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to forecasts of future revenues, cost of sales, expenses, and the weighted-average cost of capital, required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's judgments related to forecasts of future revenues, cost of sales, expenses, and weighted-average cost of capital for the CompuCom, Contract, and Varis reporting units included the following, among others:

- We tested the effectiveness of controls relating to management's goodwill impairment tests, including those over the forecasts and the weighted-average cost of capital.
- We assessed the reasonableness of the various scenarios considered by management, which included multiple scenarios for the CompuCom, Contract, and Varis reporting units in which each scenario contained independent assumptions of economic recovery and future cash flow estimates. We then assessed the reasonableness of the weighting applied by management to the various scenarios. Once the scenarios had the weighting applied, we then assessed the reasonableness of the forecast selected to be used in the quantitative test.
- We evaluated the reasonableness of management's revenue, cost of sales and expenses forecasts by comparing forecasts to (1) the actual historical results of the CompuCom and Contract reporting units, (2) internal communications amongst management and the Board of Directors, (3) external communications made by management to analysts and investors, (4) evidence obtained throughout the audit, and (5) industry reports discussing the operating forecasts for the technology services industry.
- We evaluated the reasonableness of the determined company-specific risk premium (CSRP) added to the weighted-average cost of capital through assessing the de-risked cash flow assumptions for the Contract and CompuCom reporting units.
- We developed a range of independent estimates based on the key inputs into the discounted cash flow model and compared those to the assumptions used by management.
- With the assistance of our fair value specialists, we evaluated the valuation methodology and assumptions used to determine the fair value of the CompuCom, Contract, and Varis reporting units, such as the weighted average cost of capital, by
 - Testing the underlying source information and mathematical accuracy of the calculations
 - For the weighted-average cost of capital, comparing the amount used by management to the amounts associated with other technology services companies with a similar risk profile; and
 - Evaluating the interaction between the weighted-average cost of capital and the forecasts to understand and sensitize management's assumptions regarding risk inherent in the forecast.

/s/ DELOITTE & TOUCHE LLP

Boca Raton, Florida
February 23, 2022

We have served as the Company's auditor since 1990.

THE ODP CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)

	2021	2020	2019
Sales	\$ 8,465	\$ 8,872	\$ 9,667
Cost of goods sold and occupancy costs	6,602	6,921	7,412
Gross profit	1,863	1,951	2,255
Selling, general and administrative expenses	1,558	1,661	1,889
Asset impairments	20	182	56
Merger, restructuring and other operating expenses, net	51	102	86
Operating income	234	6	224
Other income (expense):			
Interest income	1	4	22
Interest expense	(28)	(42)	(89)
Loss on extinguishment and modification of debt	—	(12)	—
Other income, net	24	6	21
Income (loss) from continuing operations before income taxes	231	(38)	178
Income tax expense	44	25	51
Net income (loss) from continuing operations	187	(63)	127
Discontinued operations, net of tax	(395)	(256)	(28)
Net income (loss)	\$ (208)	\$ (319)	\$ 99
Basic earnings (loss) per share			
Continuing operations	\$ 3.54	\$ (1.20)	\$ 2.32
Discontinued operations	(7.47)	(4.85)	(0.50)
Net basic earnings (loss) per share	\$ (3.93)	\$ (6.05)	\$ 1.82
Diluted earnings (loss) per share			
Continuing operations	\$ 3.42	\$ (1.20)	\$ 2.29
Discontinued operations	(7.21)	(4.85)	(0.50)
Net diluted earnings (loss) per share	\$ (3.79)	\$ (6.05)	\$ 1.79

The accompanying notes to Consolidated Financial Statements are an integral part of these statements.

THE ODP CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)

	2021		2020		2019
Net income (loss)	\$ (208)	\$	(319)	\$	99
Other comprehensive income, net of tax, where applicable:					
Foreign currency translation adjustments	—		2		21
Change in deferred pension, net of \$6 million, \$7 million and \$6 million of deferred income taxes in 2021, 2020 and 2019, respectively	26		32		12
Total other comprehensive income, net of tax, where applicable	26		34		33
Comprehensive income (loss)	\$ (182)	\$	(285)	\$	132

The accompanying notes to Consolidated Financial Statements are an integral part of these statements.

THE ODP CORPORATION
CONSOLIDATED BALANCE SHEETS
(In millions, except shares and par value)

	December 25, 2021	December 26, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 514	\$ 729
Receivables, net	495	442
Inventories	859	916
Prepaid expenses and other current assets	52	49
Current assets held for sale	469	219
Total current assets	2,389	2,355
Property and equipment, net	477	542
Operating lease right-of-use assets	936	1,107
Goodwill	464	394
Other intangible assets, net	54	57
Deferred income taxes	219	218
Other assets	326	319
Noncurrent assets held for sale	—	622
Total assets	\$ 4,865	\$ 5,614
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 950	\$ 857
Accrued expenses and other current liabilities	994	1,050
Income taxes payable	11	10
Short-term borrowings and current maturities of long-term debt	20	24
Current liabilities held for sale	290	152
Total current liabilities	2,265	2,093
Deferred income taxes and other long-term liabilities	159	172
Pension and postretirement obligations, net	22	42
Long-term debt, net of current maturities	228	354
Operating lease liabilities	753	935
Noncurrent liabilities held for sale	—	138
Total liabilities	3,427	3,734
Commitments and contingencies		
Stockholders' equity:		
Common stock — authorized 80,000,000 shares of \$0.01 par value; issued shares — 64,704,979 at December 25, 2021 and 62,551,255 at December 26, 2020; outstanding shares — 48,455,951 at December 25, 2021 and 52,694,062 at December 26, 2020	1	1
Additional paid-in capital	2,692	2,675
Accumulated other comprehensive loss	(6)	(32)
Accumulated deficit	(617)	(409)
Treasury stock, at cost — 16,249,028 shares at December 25, 2021 and 9,857,193 shares at December 26, 2020	(632)	(355)
Total stockholders' equity	1,438	1,880
Total liabilities and stockholders' equity	\$ 4,865	\$ 5,614

The accompanying notes to Consolidated Financial Statements are an integral part of these statements.

THE ODP CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	2021	2020	2019
Cash flows from operating activities:			
Net income (loss)	\$ (208)	\$ (319)	\$ 99
Loss from discontinued operations, net of tax	(395)	(256)	(28)
Net income (loss) from continuing operations	187	(63)	127
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	146	157	165
Amortization of debt discount and issuance costs	2	3	8
Charges for losses on receivables and inventories	22	33	25
Asset impairments	20	182	56
(Gain) loss on disposition of assets, net	(5)	4	(24)
Loss on extinguishment and modification of debt	—	12	—
Compensation expense for share-based payments	38	41	33
Deferred income taxes and deferred tax asset valuation allowances	(6)	11	100
Changes in assets and liabilities:			
Decrease (increase) in receivables	(61)	185	26
Decrease in inventories	35	76	14
Net decrease in prepaid expenses, operating lease right-of-use assets, and other assets	281	304	329
Net decrease in trade accounts payable, accrued expenses, operating lease liabilities, and other current and other long-term liabilities	(312)	(519)	(481)
Other operating activities	(3)	(1)	2
Total adjustments	157	488	253
Net cash provided by operating activities of continuing operations	344	425	380
Net cash provided by (used in) operating activities of discontinued operations	2	60	(14)
Net cash provided by operating activities	346	485	366
Cash flows from investing activities:			
Capital expenditures	(73)	(58)	(140)
Businesses acquired, net of cash acquired	(29)	(30)	(22)
Proceeds from collection of notes receivable	—	818	—
Proceeds from disposition of assets	5	3	50
Settlement of company-owned life insurance policies	22	13	5
Other investing activities	—	—	(2)
Net cash provided by (used in) investing activities of continuing operations	(75)	746	(109)
Net cash used in investing activities of discontinued operations	(4)	(10)	(10)
Net cash provided by (used in) investing activities	(79)	736	(119)
Cash flows from financing activities:			
Net payments on long and short-term borrowings	(25)	(341)	(98)
Debt retirement	(100)	(1,196)	(735)
Debt issuance	—	400	736
Cash dividends on common stock	—	(13)	(55)
Share purchases for taxes, net of proceeds from employee share-based transactions	(26)	(5)	(9)
Repurchase of common stock for treasury and advance payment for accelerated share repurchase	(307)	(30)	(40)
Other financing activities	(1)	(8)	1
Net cash used in financing activities of continuing operations	(459)	(1,193)	(200)
Net cash used in financing activities of discontinued operations	—	—	(12)
Net cash used in financing activities	(459)	(1,193)	(212)
Effect of exchange rate changes on cash and cash equivalents	—	1	5
Net increase (decrease) in cash, cash equivalents and restricted cash	(192)	29	40
Cash, cash equivalents and restricted cash at beginning of period	729	700	660
Cash, cash equivalents and restricted cash at end of period	537	729	700
Less: cash and cash equivalents of discontinued operations	(23)	—	—
Cash, cash equivalents and restricted cash at end of period — continuing operations	\$ 514	\$ 729	\$ 700
Supplemental information on operating, investing, and financing activities			
Cash interest paid, net of amounts capitalized and Timber notes/Non-recourse debt	\$ 25	\$ 40	\$ 61
Cash taxes paid (refunded), net	43	(14)	(43)
Right-of-use assets obtained in exchange for new finance lease liabilities	3	29	27
Right-of-use assets obtained in exchange for new operating lease liabilities	127	117	327
Business acquired in exchange for common stock issuance	35	—	—

The accompanying notes to Consolidated Financial Statements are an integral part of these statements.

THE ODP CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions, except share and per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock	Total Equity
Balance at December 29, 2018	61,417,070	\$ 1	\$ 2,682	\$ (99)	\$ (173)	\$ (285)	\$ 2,126
Net income	—	—	—	—	99	—	99
Other comprehensive income	—	—	—	33	—	—	33
Exercise and release of incentive stock (including income tax benefits and withholding)	625,407	—	(8)	—	—	—	(8)
Amortization of long-term incentive stock grants	—	—	33	—	—	—	33
Dividends paid on common stock (\$1.00 per share)	—	—	(55)	—	—	—	(55)
Repurchase of common stock	—	—	—	—	—	(40)	(40)
Adjustment for adoption of accounting standard	—	—	—	—	(15)	—	(15)
Acquisition escrow shares returned	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Balance at December 28, 2019	62,042,477	1	2,652	(66)	(89)	(325)	2,173
Net loss	—	—	—	—	(319)	—	(319)
Other comprehensive income	—	—	—	34	—	—	34
Exercise and release of incentive stock (including income tax benefits and withholding)	508,778	—	(5)	—	—	—	(5)
Amortization of long-term incentive stock grants	—	—	41	—	—	—	41
Dividends paid on common stock (\$0.25 per share)	—	—	(13)	—	—	—	(13)
Repurchase of common stock	—	—	—	—	—	(30)	(30)
Adjustment for adoption of accounting standard	—	—	—	—	(1)	—	(1)
Balance at December 26, 2020	62,551,255	\$ 1	\$ 2,675	\$ (32)	\$ (409)	\$ (355)	\$ 1,880
Net loss	—	—	—	—	(208)	—	(208)
Other comprehensive income	—	—	—	26	—	—	26
Exercise and release of incentive stock (including income tax benefits and withholding)	1,326,226	—	(26)	—	—	—	(26)
Amortization of long-term incentive stock grants	—	—	38	—	—	—	38
Repurchase of common stock and advance payment for accelerated share repurchase	—	—	(30)	—	—	(277)	(307)
Common stock issuance related to the BuyerQuest acquisition	827,498	—	35	—	—	—	35
Balance at December 25, 2021	64,704,979	\$ 1	\$ 2,692	\$ (6)	\$ (617)	\$ (632)	\$ 1,438

The accompanying notes to Consolidated Financial Statements are an integral part of these statements.

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: The ODP Corporation including its consolidated subsidiaries (“ODP” or the “Company”), is a leading provider of business services and supplies, products and digital workspace technology solutions to small, medium-sized and enterprise businesses. The Company operates through its direct and indirect subsidiaries and maintains a fully integrated business-to-business (“B2B”) distribution platform of thousands of dedicated sales and technology service professionals, online presence and 1,038 retail stores. Through its banner brands Office Depot®, OfficeMax®, and Grand & Toy®, as well as others, the Company offers its customers the tools and resources they need to focus on starting, growing and running their business. The Company’s corporate headquarters is located in Boca Raton, FL, and its primary website is www.officedepot.com.

Basis of Presentation: The Consolidated Financial Statements of ODP include the accounts of all wholly owned and financially controlled subsidiaries prior to disposition. The Company owns 88% of a subsidiary that formerly owned assets in Cuba, which were confiscated by the Cuban government in the 1960’s. Due to various asset restrictions, the fair value of this investment is not determinable, and no amounts are included in the Consolidated Financial Statements. Intercompany transactions have been eliminated in consolidation.

At December 25, 2021, the Company had two reportable segments (or “Divisions”): Business Solutions Division and Retail Division. During the third quarter of 2021, the Company’s Board of Directors provided their alignment with management’s commitment to a plan to sell its CompuCom Division through a single disposal group. Accordingly, that business is presented herein as discontinued operations. The Company has reclassified the financial results of the CompuCom Division to Discontinued operations, net of tax in the Consolidated Statements of Operations for all periods presented. The Company also reclassified the related assets and liabilities as assets and liabilities held for sale on the accompanying Consolidated Balance Sheets. Cash flows from the Company’s discontinued operations are presented in the Consolidated Statements of Cash Flows for all periods. The sale of the CompuCom Division was completed on December 31, 2021. Refer to Note 17 for additional information.

As a result of the CompuCom Division’s presentation as discontinued operations, the Company’s level of service revenue is below 10% of the Company’s total revenue for all periods presented and accordingly, revenues and cost of sales from services and products are not separately disclosed in the Company’s Consolidated Statements of Operations. Prior period amounts have been reclassified to conform to the current period presentation.

After obtaining approval of the Company’s shareholders on May 11, 2020, the Company’s Board of Directors determined to set a reverse stock split ratio of 1-for-10 for a reverse stock split of the Company’s outstanding shares of common stock, and a reduction in the number of authorized shares of the Company’s common stock by a corresponding ratio. The reverse stock split was effective on June 30, 2020. All share and per share amounts in the Company’s Consolidated Financial Statements and notes thereto have been retroactively adjusted for the prior periods presented to give effect to this reverse stock split.

Delay of Planned Separation of Consumer Business: As previously announced, in May 2021, the Company’s Board of Directors unanimously approved a plan to pursue a separation of the Company into two independent, publicly traded companies. When the plan was announced, the Company expected to structure it as a tax-free spin-off of the Company’s B2B related operations. Following further review, the Company determined that it should utilize the flexibility created by the holding company reorganization in 2020 to structure the separation as a tax-free spin-off of the Company’s consumer business, with the Company retaining its B2B related operations (the “Separation”), as further described below. The Company believes that this modified approach will be more efficient considering that it is expected that the majority of the Company’s current management team and Directors will remain with the B2B business which will continue to be owned by “The ODP Corporation.” Each company is expected to have a unique and highly focused strategy and investment profile, as follows:

- ODP – a leading B2B solutions provider serving small, medium and enterprise level companies, will consist of several operating companies, including the contract sales channel of ODP’s current Business Solutions Division, which will be renamed ODP Business Solutions, and ODP’s newly formed B2B digital platform technology business, which has been named Varis. ODP Business Solutions and Varis will be owned by ODP, but operated as separate businesses. ODP will also continue to own the global sourcing operations and other sourcing, supply chain and logistics assets. Gerry Smith will continue to serve as CEO of The ODP Corporation following the separation; and

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Office Depot – an Office Depot branded leading provider of retail consumer and small business products and services distributed via approximately 1,000 Office Depot and OfficeMax retail locations and an eCommerce presence, officedepot.com. Kevin Moffitt, currently EVP, Chief Retail Officer of The ODP Corporation, will be appointed CEO of Office Depot upon completion of the spin-off.

The Separation is expected to allow ODP and Office Depot to pursue market opportunities and separate growth strategies, and improve value for shareholders and stakeholders. While ODP and Office Depot will be separate, independent companies, they will share commercial agreements that will allow them to continue to leverage scale benefits in such areas as product sourcing and supply chain. The Separation is expected to occur through a tax-free stock dividend of shares of Office Depot to ODP's shareholders as of a record date to be determined by the Company's Board of Directors, after which ODP shareholders will own 100% of the equity in both of the publicly traded companies.

The Separation was intended to be completed in the middle of 2022, subject to customary conditions, including final approval by the Company's Board of Directors, opinions from tax counsel and a favorable ruling by the IRS on the tax-free nature of the transaction to the Company and to its shareholders, the filing and effectiveness of a registration statement with the U.S. Securities and Exchange Commission, the approved listing of Office Depot's common stock on a national securities exchange and the completion of any necessary financings.

In December 2021, the Company received a non-binding proposal from a third party other than USR Parent, Inc. to acquire our consumer business. The terms of that proposal are confidential. The Company's Board of Directors is carefully reviewing this proposal as well as the proposal from USR Parent, Inc., which is discussed in Note 3, with the assistance of its financial and legal advisors to determine the course of action that it believes is in the best interests of the Company and its shareholders. As a result, the Company has determined to delay further work on the Separation in order to avoid incurring potentially unnecessary separation costs while it focuses on a potential sale of its consumer business. There can be no assurance that a sale of the consumer business will take place and, if it were to take place, as to the terms of such a sale. There can also be no assurances regarding the ultimate timing of the Separation or that an alternative transaction will be completed.

The Company incurred \$32 million in third-party professional fees associated with the Separation in 2021. If the Separation is completed, the Company expects to incur significant costs in connection with the Separation, which are expected to relate primarily to third-party professional fees, retention payments to certain employees, and other costs directly related to the Separation. The Company currently estimates that costs to execute the Separation, if completed, will exceed \$100 million, although such estimate is subject to a number of assumptions and uncertainties. The Company also expect to incur significant costs associated with exploring the potential sale of its consumer business, which are expected to relate primarily to third-party professional fees, including legal fees.

Fiscal Year: Fiscal years are based on a 52- or 53-week period ending on the last Saturday in December. All years presented in the Consolidated Financial Statements consisted of 52 weeks. Certain subsidiaries operate on a calendar year basis; however, the reporting difference did not have a material impact in any period presented.

Estimates and Assumptions: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are based upon historical factors, current circumstances and the experience and judgment of the Company's management. The impact of the COVID-19 pandemic has been considered when making these estimates and assumptions, however, given the uncertainty related to the future effects of COVID-19, actual results could differ from these estimates.

Business Combinations: The Company applies the acquisition method of accounting for acquisitions where the Company is considered the accounting acquirer in accordance with ASC Topic 805, "Business Combinations" ("ASC 805"). The results of operations of acquired businesses are included in the Company's consolidated results prospectively from the date of acquisition. The Company allocates the fair value of purchase consideration to the tangible and intangible assets acquired, liabilities assumed, and non-controlling interests in the acquired entity generally based on their fair values at the acquisition date. Various valuation methodologies are used to estimate the fair value of assets acquired and liabilities assumed, including using a market participant perspective when applying cost, income and relief from royalty analyses, supplemented with market appraisals where appropriate. Significant judgments and estimates are required in preparing these fair value estimates. The excess of the fair value of purchase consideration over the fair value of the assets acquired, liabilities assumed and non-controlling interests in the acquired entity is recorded as goodwill. The primary items that generate goodwill include the value of the synergies between the acquired company and the Company and the value of the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset. Acquisition-related expenses and post-acquisition restructuring costs are recognized separately from the business combination and are expensed as incurred. Refer to Note 2 for additional information.

Foreign Currency: International operations in Canada and China use local currencies as their functional currency. Assets and liabilities are translated into U.S. dollars using the exchange rate at the balance sheet date. Revenues, expenses and cash flows are

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

translated at average monthly exchange rates, or rates on the date of the transaction for certain significant items. Translation adjustments resulting from this process are recorded in Stockholders' equity as a component of Accumulated other comprehensive loss. Foreign currency transaction gains or losses are recorded in the Consolidated Statements of Operations in Other income (expense), net or Cost of goods sold and occupancy costs, depending on the nature of the transaction.

Cash and Cash Equivalents: All short-term highly liquid investments with original maturities of three months or less from the date of acquisition are classified as cash equivalents. Amounts in transit from banks for customer credit card and debit card transactions are classified as cash. The banks process the majority of these amounts within two business days.

There were no amounts not yet presented for payment to zero balance disbursement accounts at December 25, 2021. At December 26, 2020, \$20 million is presented in Trade accounts payable and Accrued expenses and other current liabilities, and \$1 million and \$3 million at December 25, 2021, and December 26, 2020, respectively, are presented in Current liabilities held for sale.

At December 25, 2021 and December 26, 2020, cash and cash equivalents held outside the United States amounted to \$108 million and \$159 million, respectively. At December 25, 2021, there was \$17 million cash and cash equivalents held outside the United States included in Current assets held for sale.

Receivables: Trade receivables totaled \$353 million and \$325 million at December 25, 2021 and December 26, 2020, respectively, net of an allowance for doubtful accounts of \$9 million and \$10 million, respectively, to reduce receivables to an amount expected to be collectible from customers.

Exposure to credit risk associated with trade receivables is limited by having a large customer base that extends across many different industries and geographic regions. However, receivables may be adversely affected by an economic slowdown in the United States or internationally, as well as the impact of the COVID-19 pandemic on the expected credit and collectability trends. No single customer accounted for more than 10% of total sales or receivables in 2021, 2020 or 2019. Other receivables were \$143 million and \$117 million at December 25, 2021 and December 26, 2020, respectively, of which \$104 million and \$94 million, respectively, are amounts due from vendors under purchase rebate, cooperative advertising and various other marketing programs.

Inventories: Inventories are stated at the lower of cost or net realizable value and are reduced for inventory losses based on estimated obsolescence, the impact of the COVID-19 pandemic on forecasted sales and expected selling prices, and the results of physical counts. The weighted average method is used throughout the Company to determine the cost of inventory. In-bound freight is included as a cost of inventories; cash discounts and certain vendor allowances that are related to inventory purchases are recorded as a product cost reduction.

Income Taxes: Income taxes are accounted for under the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities attributable to differences between the carrying amounts and the tax bases of assets and liabilities and operating loss and tax credit carryforwards. Valuation allowances are recorded to reduce deferred tax assets to the amount believed to be more likely than not to be realized. The Company recognizes tax benefits from uncertain tax positions when it is more likely than not that the position will be sustained upon examination. Interest related to income tax exposures is included in interest expense in the Consolidated Statements of Operations. Refer to Note 6 for additional information on income taxes.

Property and Equipment: Property and equipment additions are recorded at cost. Depreciation and amortization is recognized over the estimated useful lives using the straight-line method. The useful lives of depreciable assets are estimated to be 15-30 years for buildings and 3-10 years for furniture, fixtures and equipment. Computer software is amortized over three years for common office applications, five years for larger business applications and seven years for certain enterprise-wide systems. Leasehold improvements are amortized over the shorter of the estimated economic lives of the improvements or the terms of the underlying leases, including renewal options considered reasonably assured. The Company capitalizes certain costs related to internal use software that is expected to benefit future periods. These costs are amortized using the straight-line method over the 3 to 7 year expected life of the software. Major repairs that extend the useful lives of assets are capitalized and amortized over the estimated use period. Routine maintenance costs are expensed as incurred. Refer to Note 8 for additional information on property and equipment.

Goodwill and Other Intangible Assets: Goodwill represents the excess of the purchase price of an acquired entity over the fair value of the net tangible and identifiable intangible assets acquired and liabilities assumed in a business combination. The Company reviews the carrying amount of goodwill at the reporting unit level on an annual basis as of the first day of fiscal month December, or more frequently, if events or changes in circumstances suggest that goodwill may not be recoverable. For those reporting units where events

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

or change in circumstances indicate that potential impairment indicators exist, the Company performs a quantitative assessment to determine whether the carrying amount of goodwill can be recovered. A significant amount of judgment is involved in determining if an indicator of impairment has occurred.

When performing the annual goodwill impairment test, the Company may start with an optional qualitative assessment. As part of the qualitative assessment, the Company evaluates all events and circumstances, including both positive and negative events, in their totality, to determine whether it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company bypasses the qualitative assessment, or if the qualitative assessment indicates that a quantitative analysis should be performed, the Company evaluates goodwill for impairment by comparing the fair value of a reporting unit to its carrying value, including the associated goodwill. The Company estimates the reporting unit's fair value using discounted cash flow analysis and market-based evaluations, when available. If the carrying amount of the reporting unit exceeds the estimated fair value, an impairment charge is recorded to reduce the carrying value to the estimated fair value. The Company typically uses a combination of different Level 3 valuation approaches that are dependent on several significant estimates and assumptions related to forecasts of future revenues, cost of sales, expenses and the weighted-average cost of capital for each reporting unit. Any adverse change in these factors could have a significant impact on the recoverability of goodwill and could have a material impact on the Company's Consolidated Financial Statements.

An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually. The Company evaluates its indefinite-lived intangible assets for impairment annually, or sooner if indications of possible impairment are identified. When performing the annual impairment test, the Company may first start with an optional qualitative assessment to determine whether it is not more likely than not that its indefinite-lived intangible assets are impaired. As part of a qualitative assessment, the Company evaluates relevant events and circumstances that could affect the significant inputs used to determine the fair value of the indefinite-lived intangible asset. If the Company bypasses the qualitative assessment, or if the qualitative assessment indicates that a quantitative analysis should be performed, the Company evaluates its indefinite-lived intangible assets for impairment by comparing the fair value of the asset to its carrying amount.

Intangible assets determined to have finite lives are amortized on a straight-line basis over their estimated useful lives, where the useful life is the period over which the asset is expected to contribute directly, or indirectly, to the Company's future cash flows. The Company periodically reviews its amortizable intangible assets to determine whether events and circumstances warrant a revision to the remaining period of amortization or asset impairment.

Refer to Note 9 for additional information on goodwill and other intangible assets.

Impairment of Long-Lived Assets: Long-lived assets with identifiable cash flows are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Retail store long-lived assets are regularly reviewed for impairment indicators. Impairment is assessed at the individual store level which is the lowest level of identifiable cash flows and considers the estimated undiscounted cash flows over the asset's remaining life. If estimated undiscounted cash flows are insufficient to recover the investment, an impairment loss is recognized equal to the difference between the estimated fair value of the asset and its carrying value, net of salvage, and any costs of disposition, and allocated to the asset groups at the store level based on their relative fair values. The fair value estimate is generally the discounted amount of estimated store-specific cash flows.

Facility Closure and Severance Costs: Retail store performance is regularly reviewed against expectations and retail stores not meeting performance requirements may be closed. Retail stores are also closed as part of restructuring activities which aim to optimize the Company's retail footprint. Refer to Note 3 for additional information on the restructuring programs and associated store closures. Costs associated with facility closures, principally accrued lease costs, are recognized when the facility is no longer used in an operating capacity or when a liability has been incurred. Retail store assets, including operating lease right-of-use ("ROU") assets, are also reviewed for possible impairment, or reduction of estimated useful lives.

The Company recognizes charges or credits to adjust remaining closed facility accruals to reflect current expectations. Adjustments to facility closure costs are presented in the Consolidated Statements of Operations in Selling, general and administrative expenses if the related facility was closed as part of ongoing operations or in Merger, restructuring and other operating expenses, net, if the related facility was closed as part of a merger integration plan or restructuring plan. Refer to Note 3 for additional information on accrued expenses relating to closed facilities. The short-term and long-term components of this liability are included in Accrued expenses and other current liabilities and Deferred income taxes and other long-term liabilities, respectively, in the Consolidated Balance Sheets. Employee termination costs covered under written and substantive plans are accrued when probable and estimable and consider continuing service requirements, if any. Additionally, incremental one-time employee benefit costs are recognized when the key terms

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

of the arrangements have been communicated to affected employees. Amounts are recognized when communicated or over the remaining service period, based on the terms of the arrangements.

Accrued Expenses and Other Current Liabilities: The major components of Accrued expenses and other current liabilities in the Consolidated Balance Sheets are tax liabilities, payroll and benefit accruals, customer rebates accruals, inventory receipts accruals and current portion of operating lease liabilities. Accrued payroll and benefits were \$148 million and \$120 million at December 25, 2021 and December 26, 2020, respectively.

Fair Value of Financial Instruments: The Company measures fair value 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 developing its fair value estimates, the Company uses the following hierarchy:

- | | |
|---------|---|
| Level 1 | Quoted prices in active markets for identical assets or liabilities. |
| Level 2 | Observable market-based inputs or unobservable inputs that are corroborated by market data. |
| Level 3 | Significant unobservable inputs that are not corroborated by market data. Generally, these fair value measures are model-based valuation techniques such as discounted cash flows or option pricing models using own estimates and assumptions or those expected to be used by market participants. |

The fair values of cash and cash equivalents, receivables, trade accounts payable and accrued expenses and other current liabilities approximate their carrying values because of their short-term nature. Refer to Note 15 for further fair value information.

Revenue Recognition: Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services. For product sales, transfer of control occurs at a point in time, typically upon delivery to the customer. For service offerings, the transfer of control and satisfaction of the performance obligation is either over time or at a point in time. When performance obligations are satisfied over time, the Company evaluates the pattern of delivery and progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition. Revenue is recognized net of allowance for returns and net of any taxes collected from customers, which are subsequently remitted to governmental authorities. Shipping and handling fees are included in Sales in the Consolidated Statements of Operations. Shipping and handling costs are considered fulfillment activities and are included in Cost of goods sold and occupancy costs in the Consolidated Statements of Operations. The Company recognizes sales, other than third-party software sales, on a gross basis when it is considered the primary obligor in the transaction and on a net basis when it is considered to be acting as an agent. The Company recognizes sales of third-party software on a net basis. The Company uses judgment in estimating sales returns, considering numerous factors such as historical sales return rates. The Company also records reductions to revenue for customer programs and incentive offerings including special pricing agreements, certain promotions and other volume-based incentives.

A liability for future performance is recognized when gift cards are sold and the related revenue is recognized when gift cards are redeemed as payment for products or when the likelihood of gift card redemption is considered remote. Gift cards do not have an expiration date. The Company recognizes the estimated portion of the gift card program liability that will not be redeemed, or the breakage amount, in proportion to usage.

Cost of Goods Sold and Occupancy Costs: Cost of goods sold and occupancy costs include:

- inventory costs (as discussed above);
- outbound freight;
- employee and non-employee receiving, distribution, and occupancy costs (rent), including depreciation, real estate taxes and common area costs, of inventory-holding and selling locations; and
- identifiable employee-related costs associated with services provided to customers.

Selling, General and Administrative Expenses: Selling, general and administrative expenses include amounts incurred related to expenses of operating and support functions, including:

- employee payroll and benefits, including variable pay arrangements;

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- advertising;
- store and field support;
- executive management and various staff functions, such as information technology, human resources functions, finance, legal, internal audit, and certain merchandising and product development functions;
- other operating costs incurred relating to selling activities; and
- closed defined benefit pension and postretirement plans.

Selling, general and administrative expenses are included in the determination of Division operating income to the extent those costs are considered to be directly or closely related to segment activity and through allocation of support costs.

Merger, restructuring and other operating expenses, net: Merger, restructuring and other operating expenses, net in the Consolidated Statements of Operations includes charges and, where applicable, credits for costs such as acquisition related expenses, employee termination and retention, transaction and integration-related professional fees, facility closure costs, gains and losses on asset dispositions, and other incremental costs directly related to these activities.

This presentation is used to separately identify these significant costs apart from expenses incurred to sell to and service the Company's customers or that are more directly related to ongoing operations. Changes in estimates and accruals related to these activities are also reflected on this line. Merger, restructuring and other operating expenses, net are not included in the measure of Division operating income. Refer to Note 3 for additional information.

Advertising: Advertising expenses are charged to Selling, general and administrative expenses when incurred. Advertising expenses recognized were \$139 million in 2021, \$177 million in 2020 and \$245 million in 2019. Prepaid advertising expenses were \$4 million as of December 25, 2021 and \$3 million as of December 26, 2020.

Share-Based Compensation: Compensation expense for all share-based awards expected to vest is measured at fair value on the date of grant and recognized on a straight-line basis over the related service period. The fair value of restricted stock and restricted stock units, including performance-based awards, is determined based on the Company's stock price on the date of grant. Share-based awards with market conditions, such as total shareholder return, are valued using a Monte Carlo simulation as measured on the grant date. Share-based awards that are settled in cash are classified as liabilities and are measured to fair value at each reporting date.

Self-insurance: ODP is primarily self-insured for workers' compensation, auto and general liability and employee medical insurance programs. The Company has stop-loss coverage to limit the exposure arising from these claims. Self-insurance liabilities are based on claims filed and estimates of claims incurred but not reported. These liabilities are not discounted.

Vendor Arrangements: The Company enters into arrangements with substantially all significant vendors that provide for some form of consideration to be received from the vendors. Arrangements vary, but some specify volume rebate thresholds, advertising support levels, as well as terms for payment and other administrative matters. The volume-based rebates, supported by a vendor agreement, are estimated throughout the year and reduce the cost of inventory and cost of goods sold during the year. This estimate is regularly monitored and adjusted for current or anticipated changes in purchase levels and for sales activity. Other promotional consideration received is event-based or represents general support and is recognized as a reduction of Cost of goods sold and occupancy costs or Inventories, as appropriate, based on the type of promotion and the agreement with the vendor. Certain arrangements meet the specific, incremental, identifiable criteria that allow for direct operating expense offset, but such arrangements are not significant.

Pension and Other Postretirement Benefits: The Company sponsors certain closed U.S. and U.K. defined benefit pension plans, certain closed U.S. retiree medical benefit and life insurance plans, as well as a Canadian retiree medical benefit plan open to certain employees.

The Company recognizes the funded status of its defined benefit pension, retiree medical benefit and life insurance plans in the Consolidated Balance Sheets, with changes in the funded status recognized primarily through accumulated other comprehensive income (loss), net of tax, in the year in which the changes occur. Actuarially-determined liabilities related to pension and postretirement benefits are recorded based on estimates and assumptions. Factors used in developing estimates of these liabilities include assumptions related to discount rates, rates of return on investments, healthcare cost trends, benefit payment patterns and other factors. The Company also updates periodically its assumptions about employee retirement factors, mortality, and turnover. Refer to Note 14 for additional details.

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Environmental and Asbestos Matters: Environmental and asbestos liabilities relate to acquired legacy paper and forest products businesses and timberland assets. The Company accrues for losses associated with these obligations when probable and reasonably estimable. These liabilities are not discounted. A receivable for insurance recoveries is recorded when probable.

Leasing Arrangements: The Company conducts a substantial portion of its business in leased properties. The Company first determines whether an arrangement is a lease at inception. Once that determination is made, leasing arrangements are presented in the Consolidated Balance Sheet as follows:

- *Finance leases:*
 - Property and equipment, net –leases which were referred to as capital leases under the old accounting standard;
 - Short-term borrowings and current maturities of long-term debt – short-term obligations to make lease payments arising from the finance lease; and
 - Long-term debt, net of current maturities – long-term obligations to make lease payments arising from the finance lease.
- *Operating leases:*
 - ROU assets – the Company’s right to use the underlying asset for the lease term;
 - Accrued expenses and other current liabilities – short-term obligations to make lease payments arising from the operating lease; and
 - Operating lease liabilities – long-term obligations to make lease payments arising from the operating lease.

Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of the future minimum lease payments over the lease term. As the rate implicit in the lease is not readily determinable for any of the leases, the Company has utilized its incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The determination of the appropriate incremental borrowing rate requires management to use significant estimates and assumptions as to its credit rating, base rates and credit spread, and other management assumptions for the impact of collateral. The operating lease ROU asset also includes any lease payments made prior to commencement and excludes lease incentives and initial direct costs incurred. Certain leases include one or more options to renew, with renewal terms that can extend the lease from five to 25 years or more, which is generally at the Company’s discretion. Any option or renewal periods management believed were reasonably certain of being exercised are included in the lease term, and are used in calculating the operating lease ROU assets and lease liabilities. In addition, some of the Company’s leases contain escalation clauses. The Company recognizes rental expense for operating leases that contain predetermined fixed escalation clauses on a straight-line basis over the expected term of the lease.

The Company has lease agreements with lease and non-lease components, for which it has made an accounting policy election to account for these as a single lease component.

NEW ACCOUNTING STANDARDS

Standards that were adopted:

Defined benefit plan: In August 2018, the Financial Accounting Standards Board (the “FASB”) issued an accounting standard update that modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The Company adopted this accounting standards update on the first day of the first quarter of 2021 with no material impact on its Consolidated Financial Statements.

Income Taxes: In December 2019, the FASB issued an accounting standards update that simplifies the accounting for income taxes by eliminating certain exceptions to the guidance related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The accounting standards update also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The Company adopted this accounting standards update on the first day of the first quarter of 2021 with no material impact on its Consolidated Financial Statements.

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. ACQUISITIONS

Since 2017, the Company has been undergoing a strategic business transformation to pivot into an integrated B2B distribution platform, with the objective of expanding its product offerings to include value-added services for its customers and capture greater market share. As part of this transformation, the Company is evolving its B2B business to include a new digital procurement platform focused on transforming the B2B procurement and sourcing industry. On January 29, 2021, in connection with the Company's development efforts in this area, the Company acquired BuyerQuest Holdings, Inc. ("BuyerQuest"), a business services software company with an eProcurement platform for approximately \$71 million, subject to customary post-closing adjustments. The purchase consideration for BuyerQuest includes \$61 million paid at closing, funded with \$26 million of cash on hand and the issuance of 827,498 shares of the Company's common stock, and up to \$10 million contingent consideration that will be payable over a two-year period subject to BuyerQuest meeting certain performance conditions. The Company has subsequently adjusted the contingent consideration amount to \$7 million, due to the first-year performance conditions not being met. This remaining contingent consideration non-current liability is presented in Deferred income taxes and other liabilities in the Consolidated Balance Sheets.

As part of its transformation, the Company continues to acquire profitable regional office supply distribution businesses to expand its reach and distribution network into geographic areas that were previously underserved. During the first quarter of 2021, the Company acquired one small independent regional office supply distribution business for approximately \$2 million funded with cash on hand, subject to customary post-closing adjustments.

The acquisitions were treated as purchases in accordance with ASC 805, Business Combinations ("ASC 805") which requires allocation of the purchase price to the estimated fair values of assets and liabilities acquired in the transaction including goodwill and other intangible assets. The Company has performed a purchase price allocation of the aggregate purchase price to the estimated fair values of assets and liabilities acquired in the transactions. The purchase price for BuyerQuest includes \$6 million of technology intangibles assets and \$67 million of goodwill. The purchase price allocation for the acquired office supply distribution business includes \$1 million of goodwill. An immaterial amount of the aggregate purchase price was allocated to working capital accounts. These assets and liabilities are included in the Consolidated Balance Sheet as of December 25, 2021. As additional information is obtained about these assets and liabilities within the measurement period (not to exceed one year from the date of acquisition), the Company will refine its estimates of fair value to allocate the purchase price. The operating results of the acquired businesses are combined with the Company's operating results subsequent to their purchase dates. The operating results of the acquired office supply distribution business are included in the Business Solution Division, and the operating results of BuyerQuest are part of the Company's Varis segment, which is included Other, as described in Note 5. Certain disclosures set forth under ASC 805, including supplemental pro forma financial information, are not disclosed because the operating results of the acquired businesses, individually and in the aggregate, are not material to the Company.

Based on new information received, the preliminary purchase price allocations of the companies acquired in 2020 and 2021 have been adjusted during the respective measurement periods. These adjustments were insignificant individually and in the aggregate to the Company's Consolidated Financial Statements. The measurement periods for acquisitions completed in 2020 closed within 2021. Under the guidance on accounting for business combinations, merger and integration costs are not included as components of consideration transferred, instead, they are accounted for as expenses in the period in which the costs are incurred. Transaction-related expenses are included in the Merger, restructuring and other operating expenses, net line in the Consolidated Statements of Operations. Refer to Note 3 for additional information about the merger and restructuring expenses incurred during 2021.

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3. MERGER, RESTRUCTURING AND OTHER ACTIVITY

The Company has taken actions to optimize its asset base and drive operational efficiencies. These actions include acquiring profitable businesses, closing underperforming retail stores and non-strategic distribution facilities, consolidating functional activities, eliminating redundant positions and disposing of non-strategic businesses and assets. The expenses and any income recognized directly associated with these actions are included in Merger, restructuring and other operating expenses, net on a separate line in the Consolidated Statements of Operations in order to identify these activities apart from the expenses incurred to sell to and service customers. These expenses are not included in the determination of Division operating income. The table below summarizes the major components of Merger, restructuring and other operating expenses, net.

<i>(In millions)</i>	2021	2020	2019
Merger and transaction related expenses			
Severance and retention	\$ —	\$ —	\$ 1
Transaction and integration	—	4	7
Facility closure, contract termination and other expenses, net	—	1	—
Total Merger and transaction related expenses	—	5	8
Restructuring expenses			
Severance	(2)	41	26
Professional fees	1	21	41
Facility closure, contract termination, and other expenses, net	15	35	11
Total Restructuring expenses, net	14	97	78
Other operating expenses			
Professional fees	37	—	—
Total Other operating expenses	37	—	—
Total Merger, restructuring and other operating expenses, net	\$ 51	\$ 102	\$ 86

MERGER AND TRANSACTION RELATED EXPENSES

In 2021 the Company did not incur any merger and transaction related expenses. In 2020 and 2019, the Company incurred \$5 million and \$8 million, respectively, of merger and transaction related expenses. Severance and retention include expenses related to the integration of staff functions in connection with business acquisitions and are expensed through the severance and retention period. Transaction and integration include legal, accounting, and other third-party expenses incurred in connection with acquisitions and business integration activities. Facility closure, contract termination, and other expenses, net relate to facility closure accruals, contract termination costs, gains and losses on asset dispositions, and accelerated depreciation.

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

RESTRUCTURING EXPENSES*Maximize B2B Restructuring Plan*

In May 2020, the Company's Board of Directors approved a restructuring plan to realign the Company's operational focus to support its "business-to-business" solutions and improve costs ("Maximize B2B Restructuring Plan"). Implementation of the Maximize B2B Restructuring Plan is expected to be substantially completed by the end of 2023. The Maximize B2B Restructuring Plan aims to generate savings through optimizing the Company's retail footprint, removing costs that directly support the Retail business and additional measures to implement a company-wide low-cost business model, which will then be invested in accelerating the growth of the Company's business-to-business platform. The plan is broader than restructuring programs the Company has implemented in the past and includes closing and/or consolidating retail stores and distribution facilities and the reduction of up to 13,100 employee positions by the end of 2023. The Company is evaluating the number and timing of retail store and distribution facility closures and/or consolidations. However, it is generally understood that closures will approximate the store's lease termination date. The Company closed 111 retail stores under the Maximize B2B Restructuring Plan in 2021. The Company had closed 70 retail stores and two distribution facilities in 2020 under the Maximize B2B Restructuring Plan. It is anticipated that additional retail stores will be closed in 2022. Total estimated restructuring costs related to the Maximize B2B Restructuring Plan are expected to be up to \$111 million, comprised of:

- (a) severance and related employee costs of approximately \$49 million;
- (b) facility closure costs of approximately \$34 million, which are mainly related to retail stores; and
- (c) other costs, including contract termination costs, to facilitate the execution of the Maximize B2B Restructuring Plan of approximately \$28 million.

These total estimated restructuring costs of up to \$111 million above are less than the Company's estimate of total costs for this restructuring plan when it commenced, mainly as a result of the reduction in the number of expected retail store and distribution facility closures based upon the Company's most recent evaluation of economic factors that influence expected store closures. There could be further fluctuations in the estimate of total expected costs in the future and timing of such costs as a result of an assessment of general market conditions and changes in the Company's business strategy, including the potential sale of the consumer business or the Separation described in Note 1 above. In addition, the reduction of employee positions may also be impacted as a result of fewer retail store closures and the changes in the Company's business strategy. The \$111 million of total costs are expected to be cash expenditures through 2023 and funded primarily with cash on hand and cash from operations. The Company incurred \$95 million in restructuring expenses to implement the Maximize B2B Restructuring Plan since its inception in 2020 and through 2021, of which \$53 million were cash expenditures. Of these amounts, \$6 million of restructuring expenses and \$2 million of cash expenditures were related to the CompuCom Division which is now presented in discontinued operations.

In 2021, the Company incurred \$14 million in restructuring expenses associated with the Maximize B2B Restructuring Plan which consisted of \$1 million third-party professional fees, \$18 million in facility closures, contract termination and other costs, partially offset by \$2 million in reversals of employee severance accruals due to changes in estimates and a \$3 million gain on sale of retail stores assets. The facility closure costs were mainly related to retail store closure accruals and accelerated depreciation. In 2021, the Company made cash payments of \$24 million associated with expenditures for the Maximize B2B restructuring plan.

Other

Included in restructuring expenses in 2020 and 2019 are \$19 million and \$68 million, respectively, of costs incurred in connection with the Business Acceleration Program. These costs included third-party professional fees, retail and facility closure costs and other costs. The Business Acceleration Program was announced in 2019 and largely concluded at the end of 2020.

Additionally, restructuring expense in 2019 included \$8 million of costs incurred in connection with the Comprehensive Business Review, a program announced in 2016 and concluded at the end of 2019. Under the Comprehensive Business Review, the Company closed a total of 208 retail stores, and the costs incurred included severance, facility closure costs, contract termination, accelerated depreciation, relocation and disposal gains and losses, as well as other costs associated with retail store closures.

Restructuring expenses in 2020 also included \$3 million in third-party professional fees incurred in connection with the Reorganization.

Asset impairments related to the restructuring initiatives are not included in the table above. Refer to Note 15 for further information.

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

OTHER OPERATING EXPENSES*USR Parent, Inc. proposals*

During the first quarter of 2021, the Company received two proposals from USR Parent, Inc., the parent company of Staples Inc. and a portfolio company of Sycamore Partners, to acquire 100% of the Company's issued and outstanding stock or certain assets of the Company. After careful review and consideration of the proposals and in consultation with the Company's financial and legal advisors, the Company's Board of Directors unanimously concluded that the transactions described in the proposals were not in the best interest of the Company and its shareholders, and that there was a more compelling path forward to create value. The Company filed statements on Schedule 14D-9 with the SEC on January 19, 2021 and March 15, 2021 containing its Board of Directors' recommendation. Also, on March 31, 2021, USR Parent, Inc. publicly announced that it decided to defer the March 2021 launch of a tender offer for the Company's common stock while reserving the right to commence one in the future.

During the second quarter of 2021, the Company received a third proposal from USR Parent, Inc. to acquire the Company's consumer business, including its retail stores, and reiterated its intention to commence a tender offer if negotiations for an alternative transaction are not successful. In November 2021, USR Parent, Inc. reaffirmed this third proposal to acquire the Company's consumer business, and announced its decision to abandon its previously announced intent to commence a tender offer for all of the outstanding shares of the Company. The Company's Board of Directors is carefully reviewing this proposal with the assistance of its financial and legal advisors to determine the course of action that it believes is in the best interests of the Company and its shareholders.

The Company incurred \$5 million in third-party professional fees related to the evaluation of USR Parent, Inc.'s proposals in 2021, including expenses incurred in connection with a Civil Investigative Demand ("CID") from the U.S. Federal Trade Commission ("FTC"), which is conducting an investigation of USR Parent, Inc.'s proposals. In order to relieve the Company from the continuation of a costly and burdensome process, the FTC has agreed to defer requiring further responses from the Company unless and until USR Parent, Inc. formally launches a tender offer or the parties execute a negotiated agreement. Additionally, on May 4, 2021 the Canadian Competition Bureau (the "Bureau") advised the Company that it has determined that USR Parent, Inc.'s proposed acquisition of the Company would likely result in a substantial lessening or prevention of competition in the sale of business essentials to enterprise customers in Canada. While it is not known for certain what the Bureau would do if USR Parent, Inc. actually launches a tender offer in the future, the Bureau's determination signals that the Bureau would likely challenge the acquisition. The Company cannot be certain that USR Parent, Inc. will not commence a tender offer in the future. The Company anticipates that it will incur additional significant legal and other expenses in the future if USR Parent, Inc. pursues a tender offer.

Planned Separation of Consumer Business

In May 2021, the Company's Board of Directors unanimously approved a plan to pursue a separation of the Company into two independent, publicly traded companies, as further described in Note 1 above. The Company incurred \$32 million in third-party professional fees associated with the Separation in 2021 related to the Separation. The execution of the Separation has been delayed, however, if executed, the Company expects to incur significant costs in connection with the Separation, which are expected to primarily be third-party professional fees related to investment banking, accounting, legal, consulting and other similar types of services associated with the Separation transaction, as well as costs associated with the operational separation of the two companies, such as those related to human resources, brand management, real estate and IT infrastructure. Separation costs also may include the costs associated with bonuses and restricted stock grants awarded to certain employees for retention through the Separation. The Company currently estimates that costs to complete the separation will exceed \$100 million, although such estimate is subject to a number of assumptions and uncertainties.

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

MERGER AND RESTRUCTURING ACCRUALS

The activity in the merger and restructuring accruals in 2021 and 2020 is presented in the table below. Certain merger and restructuring charges are excluded from the table because they are paid as incurred or non-cash, such as accelerated depreciation and gains and losses on asset dispositions.

<i>(In millions)</i>	Beginning Balance	Charges Incurred	Cash Payments	Ending Balance
2021				
Termination benefits:				
Maximize B2B Restructuring Plan	27	(2)	(6)	19
Business Acceleration Program	2	—	(2)	—
Lease and contract obligations, accruals for facilities closures and other costs:				
Maximize B2B Restructuring Plan	10	9	(13)	6
Business Acceleration Program	1	—	(1)	—
Comprehensive Business Review	2	—	(1)	1
USR Parent, Inc. proposals	—	5	(5)	—
Planned separation of consumer business	—	32	(30)	2
Total	\$ 42	\$ 44	\$ (58)	\$ 28
2020				
Termination benefits:				
Merger-related accruals	\$ —	\$ —	\$ —	\$ —
Maximize B2B Restructuring Plan	—	35	(8)	27
Business Acceleration Program	6	—	(4)	2
Lease and contract obligations, accruals for facilities closures and other costs:				
Merger-related accruals	—	—	—	—
Maximize B2B Restructuring Plan	—	27	(17)	10
Business Acceleration Program	5	20	(24)	1
Comprehensive Business Review	3	—	(1)	2
Total	\$ 14	\$ 82	\$ (54)	\$ 42

The short-term and long-term components of these liabilities are included in Accrued expenses and other current liabilities and Deferred income taxes and other long-term liabilities, respectively, in the Consolidated Balance Sheets.

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4. REVENUE RECOGNITION

REVENUE

As a result of the CompuCom Division's presentation as discontinued operations, the Company's level of service revenue is below 10% of the Company's total revenue for all periods presented and accordingly, revenues and cost of sales from services and products are not separately disclosed in the Company's Consolidated Statements of Operations. The Company updated its major revenue categories disclosed herein according to this presentation and period amounts have been reclassified to conform to the current period presentation.

The following table provides information about disaggregated revenue from continuing operations by Division, and major revenue categories.

	2021			
	Business Solutions Division	Retail Division	Other	Total
<i>(In millions)</i>				
Major revenue categories				
Supplies	\$ 2,423	\$ 1,382	\$ 10	\$ 3,815
Technology	1,165	1,586	7	2,758
Furniture and other	757	531	14	1,302
Copy and print	252	338	—	590
Total	<u>\$ 4,597</u>	<u>\$ 3,837</u>	<u>\$ 31</u>	<u>\$ 8,465</u>

	2020			
	Business Solutions Division	Retail Division	Other	Total
<i>(In millions)</i>				
Major revenue categories				
Supplies	\$ 2,545	\$ 1,449	\$ 12	\$ 4,006
Technology	1,195	1,816	3	3,014
Furniture and other	695	579	7	1,281
Copy and print	248	323	—	571
Total	<u>\$ 4,683</u>	<u>\$ 4,167</u>	<u>\$ 22</u>	<u>\$ 8,872</u>

	2019			
	Business Solutions Division	Retail Division	Other	Total
<i>(In millions)</i>				
Major revenue categories				
Supplies	\$ 3,001	\$ 1,743	\$ 16	\$ 4,760
Technology	1,238	1,749	2	2,989
Furniture and other	756	454	7	1,217
Copy and print	284	417	—	701
Total	<u>\$ 5,279</u>	<u>\$ 4,363</u>	<u>\$ 25</u>	<u>\$ 9,667</u>

Revenue includes the sale of:

- Supplies such as paper, writing instruments, office supplies, cleaning and breakroom items, personal protective equipment, and product subscriptions;
- Technology related products such as toner and ink, printers, computers, tablets and accessories, electronic storage, and sales of third-party software, as well as technology support services offerings provided in the Company's retail stores, such as installation and repair;
- Furniture and other products such as desks, seating, luggage, gift cards and warranties; and
- Copy and print services, including managed print and fulfillment services.

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company sells its supplies, furniture and other products through its Business Solutions and Retail Divisions. Customers can purchase products through the Company's call centers, electronically through its Internet websites, or through its retail stores. Revenues from supplies, technology, and furniture and other product sales are recognized when the customer obtains control of the Company's product, which occurs at a point in time, typically upon delivery to the customer.

Furniture and other products also include arrangements where customers can make special furniture interior design and installation orders that are customized to their needs. The performance obligations related to these arrangements are satisfied over time.

Substantially all of the Company's copy and print and technology support services offerings are satisfied at a point in time and revenue is recognized as such. The majority of copy and print offerings, which includes printing, copying, and digital imaging, are fulfilled through retail stores and the related performance obligations are satisfied within a short period of time (generally within the same day).

REVENUE RECOGNITION AND SIGNIFICANT JUDGMENTS

Revenue is recognized upon transfer of control of promised products or services to customers for an amount that reflects the consideration the Company is entitled to receive in exchange for those products or services. For product sales, transfer of control occurs at a point in time, typically upon delivery to the customer. For service offerings, the transfer of control and satisfaction of the performance obligation is either over time or at a point in time. When performance obligations are satisfied over time, the Company evaluates the pattern of delivery and progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition. Revenue is recognized net of allowance for returns and net of any taxes collected from customers, which are subsequently remitted to governmental authorities. Shipping and handling costs are considered fulfillment activities and are recognized within the Company's cost of goods sold.

Contracts with customers could include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Determining the standalone selling price also requires judgment. The Company did not have significant revenues generated from such contracts in 2021, 2020 and 2019.

Products are generally sold with a right of return and the Company may provide other incentives, such as rebates and coupons, which are accounted for as variable consideration when estimating the amount of revenue to recognize. The Company estimates returns and incentives at contract inception and includes the amount in the transaction price for which significant reversal is not probable. These estimates are updated at the end of each reporting period as additional information becomes available.

The Company offers a customer loyalty program that provides customers with rewards that can be applied to future purchases or other incentives. Loyalty rewards are accounted for as a separate performance obligation and deferred revenue is recorded in the amount of the transaction price allocated to the rewards, inclusive of the impact of estimated breakage. The estimated breakage of loyalty rewards is based on historical redemption rates experienced under the loyalty program. Revenue is recognized when the loyalty rewards are redeemed or expire. As of both December 25, 2021 and December 26, 2020, the Company had \$12 million of deferred revenue related to the loyalty program, which is included in Accrued expenses and other current liabilities in the Consolidated Balance Sheets.

The Company recognizes revenue in certain circumstances before product delivery occurs (commonly referred to as bill-and-hold transactions). Revenue from bill-and-hold transactions is recognized when all specific requirements for transfer of control under a bill-and-hold arrangement have been met which include, among other things, a request from the customer that the product be held for future scheduled delivery. For these bill-and-hold arrangements, the associated product inventory is identified separately as belonging to the customer and is ready for physical transfer.

CONTRACT BALANCES

The timing of revenue recognition may differ from the timing of invoicing to customers. A receivable is recognized in the period the Company delivers goods or provides services, and is recorded at the invoiced amount, net of an allowance for doubtful accounts. A receivable is also recognized for unbilled services where the Company's right to consideration is unconditional, and is recorded based on an estimate of time and materials. Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 20 to 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined that the contracts do not include a significant financing component. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing its products and services.

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company receives payments from customers based upon contractual billing schedules. Contract assets include amounts related to deferred contract acquisition costs (refer to the section “Costs to Obtain a Contract” below) and if applicable, the Company’s conditional right to consideration for completed performance under a contract. The short- and long-term components of contract assets in the table below are included in Prepaid expenses and other current assets, and Other assets, respectively, in the Consolidated Balance Sheets. Contract liabilities include payments received in advance of performance under the contract, which are recognized as revenue when the performance obligation is completed under the contract, as well as accrued contract acquisition costs, liabilities related to the Company’s loyalty program and gift cards. The short- and long-term components of contract liabilities in the table below are included in Accrued expenses and other current liabilities, and Deferred income taxes and other long-term liabilities, respectively, in the Consolidated Balance Sheets.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

<i>(In millions)</i>	December 25, 2021	December 26, 2020
Trade receivables, net	\$ 353	\$ 325
Short-term contract assets	16	15
Long-term contract assets	8	15
Short-term contract liabilities	52	50
Long-term contract liabilities	2	4

In 2021 and 2020, the Company did not have any contract assets related to conditional rights. The Company recognized revenues of \$24 million and \$20 million in 2021 and 2020, respectively, which were included in the short-term contract liability balance at the beginning of the period. The Company recognized no contract assets and \$2 million of contract liabilities in 2021 as a result of business combinations. There were no contract assets and liabilities that were recognized in 2020 as a result of business combinations. There were no significant adjustments to revenue from performance obligations satisfied in previous periods and there were no contract assets recognized at the beginning of the period that transferred to receivables in 2021 and 2020. Included in the table above are short- and long-term contract assets of \$1 million and \$2 million, respectively as of both December 25, 2021 and December 26, 2020, related to CompuCom, which are presented as part of assets held for sale in the Consolidated Balance Sheets. Also included in the table above are short- and long-term contract liabilities of \$10 million and \$2 million, respectively, as of December 25, 2021 and \$9 million and \$4 million, respectively as of December 26, 2020 related to CompuCom, which are presented as part of liabilities held for sale in the Consolidated Balance Sheets.

A majority of the purchase orders and statements of work related to contracts with customers require delivery of the product or service within one year or less. For certain service contracts that exceed one year, the Company recognizes revenue at the amount to which it has the right to invoice for services performed. Accordingly, the Company has applied the optional exemption provided by the new revenue recognition standard relating to unsatisfied performance obligations and does not disclose the value of unsatisfied performance obligations for its contracts.

COSTS TO OBTAIN A CONTRACT

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the benefit of those costs to be longer than one year. The Company has determined that certain rebate incentive programs meet the requirements to be capitalized. These costs are periodically reviewed for impairment, and are amortized on a straight-line basis over the expected period of benefit. As of December 25, 2021 and December 26, 2020, short-term contract assets and long-term contract assets in the table above represent capitalized acquisition costs. In 2021, 2020 and 2019, amortization expense was \$24 million, \$29 million and \$34 million, respectively. The Company had no asset impairment charges related to contract assets in the periods presented herein. There is uncertainty regarding the impacts of COVID-19 on the global and national economies, which could negatively affect the Company’s customers and result in future impairments of contract assets.

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5. SEGMENT INFORMATION

At December 25, 2021, the Company had two reportable segments: Business Solutions Division and Retail Division. The Business Solutions Division sells nationally branded as well as the Company's private branded office supply and adjacency products and services to customers in the United States, Puerto Rico, the U.S. Virgin Islands, and Canada. Business Solutions Division customers are served through a dedicated sales force, catalogs, telesales, and electronically through the Company's Internet websites. The Retail Division includes a chain of retail stores in the United States, Puerto Rico and the U.S. Virgin Islands, which sell office supplies, technology products and solutions, business machines and related supplies, cleaning, breakroom and facilities products, personal protective equipment, and office furniture as well as offer business services including copying, printing, digital imaging, mailing, shipping and technology support services. In addition, the print needs for retail and business customers are also facilitated through the Company's regional print production centers. During the third quarter of 2021, management obtained the Board of Directors' alignment and committed to a plan to sell its CompuCom Division through a single disposal group. The CompuCom disposal group has met the accounting criteria to be classified as held for sale as of June 29, 2021 and is presented as discontinued operations for all periods presented. The sale of the CompuCom Division was completed on December 31, 2021. Refer to Note 17 for additional information.

The operating results of the Company's Varis operating segment, which was created in 2021 and includes the operating results of BuyerQuest, did not meet the criteria to be reported as a reportable segment as its results are not significant. Accordingly, the operating results of Varis are presented as Other. Sales of Varis were \$5 million in 2021. The retained global sourcing operations previously included in the former International Division are also not significant and have been presented as Other.

The products and services offered by the Business Solutions Division and the Retail Division are similar. The Company's two operating segments are its two reportable segments. The Business Solutions Division and the Retail Division are managed separately as they represent separate channels in the way the Company serves its customers. The accounting policies for each segment are the same as those described in Note 1. Division operating income is determined based on the measure of performance reported internally to manage the business and for resource allocation. This measure charges to the respective Divisions those expenses considered directly or closely related to their operations and allocates support costs. Certain operating expenses and credits are not allocated to the Business Solutions Division or the Retail Division, including asset impairments and merger, restructuring and other operating expenses, as well as expenses and credits retained at the Corporate level, including certain management costs and legacy pension and environmental matters. Other companies may charge more or less of these items to their segments and results may not be comparable to similarly titled measures used by other entities. In addition, the Company regularly evaluates the appropriateness of the reportable segments based on how the business is managed, including decision-making about resources allocation and assessing performance of the segments, particularly in light of organizational changes, merger and acquisition activity and changing laws and regulations. Therefore, the current reportable segments may change in the future.

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of significant accounts and balances by segment, reconciled to consolidated totals, after the elimination of discontinued operations for all periods is as follows.

<i>(In millions)</i>		Business Solutions Division	Retail Division	Other	Corporate and Discontinued Operations*	Consolidated Total
Sales	2021	\$ 4,597	\$ 3,837	\$ 31	\$ —	\$ 8,465
	2020	4,683	4,167	22	—	8,872
	2019	5,279	4,363	25	—	9,667
Division operating income (loss)	2021	119	306	(29)	—	396
	2020	116	275	(1)	—	390
	2019	271	194	—	—	465
Capital expenditures	2021	27	18	14	14	73
	2020	25	28	—	5	58
	2019	43	68	—	29	140
Depreciation and amortization	2021	65	67	3	11	146
	2020	66	80	—	11	157
	2019	66	91	—	8	165
Charges for losses on receivables and inventories	2021	2	20	—	—	22
	2020	9	24	—	—	33
	2019	—	25	—	—	25
Assets	2021	1,494	1,760	90	1,521	4,865
	2020	1,581	1,962	5	2,066	5,614

* Amounts included in "Corporate and Discontinued Operations" consist of (i) assets (including all cash and cash equivalents) and depreciation related to corporate activities of continuing operations, and (ii) assets of discontinued operations amounting to \$469 million at December 25, 2021 and \$841 million at December 26, 2020.

A reconciliation of the measure of Division operating income to Consolidated income (loss) from continuing operations before income taxes is as follows:

<i>(In millions)</i>	2021	2020	2019
Division operating income	\$ 396	\$ 390	\$ 465
Add/(subtract):			
Asset impairments	(20)	(182)	(56)
Merger, restructuring and other operating expenses, net	(51)	(102)	(86)
Unallocated expenses	(91)	(100)	(99)
Interest income	1	4	22
Interest expense	(28)	(42)	(89)
Loss on extinguishment and modification of debt	—	(12)	—
Other income, net	24	6	21
Income (loss) from continuing operations before income taxes	<u>\$ 231</u>	<u>\$ (38)</u>	<u>\$ 178</u>

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 6. INCOME TAXES

The components of income (loss) from continuing operations before income taxes consisted of the following:

<i>(In millions)</i>	2021	2020	2019
United States	\$ 173	\$ (30)	\$ 151
Foreign	58	(8)	27
Total income (loss) from continuing operations before income taxes	\$ 231	\$ (38)	\$ 178

The income tax expense (benefit) related to income (loss) from continuing operations consisted of the following:

<i>(In millions)</i>	2021	2020	2019
Current:			
Federal	\$ 14	\$ (7)	\$ (57)
State	8	17	4
Foreign	5	4	7
Deferred:			
Federal	13	19	84
State	2	(5)	10
Foreign	2	(3)	3
Total income tax expense	\$ 44	\$ 25	\$ 51

The following is a reconciliation of income taxes at the U.S. Federal statutory rate to the provision for income taxes:

<i>(In millions)</i>	2021	2020	2019
Federal tax computed at the statutory rate	\$ 48	\$ (8)	\$ 37
State taxes, net of Federal benefit	10	4	8
Foreign income taxed at rates other than Federal	(5)	4	(2)
Increase (decrease) in valuation allowance	(3)	(3)	8
Non-deductible Goodwill impairments	—	24	—
Other non-deductible expenses and settlements	5	4	3
Tax basis differences in investment in subsidiaries	—	—	—
Non-taxable income and additional deductible expenses	(3)	(3)	(4)
Change in unrecognized tax benefits	—	—	2
Impact of stock compensation shortfall	(6)	2	—
Other items, net	(2)	1	(1)
Income tax expense	\$ 44	\$ 25	\$ 51

During 2021 and 2020, the mix of income and losses across jurisdictions, although still applicable, has become less of a factor in influencing the Company's effective tax rates due to limited international operations and improved operating results. The Company's effective tax rates were 19%, (66%) and 29% in 2021, 2020 and 2019, respectively. For the year 2021, the Company's effective rate was primarily impacted by the recognition of a tax windfall associated with stock-based compensation awards and recognition of tax benefits due to an agreement reached with the IRS related to a prior tax position. These factors, along with the impact of state taxes and the mix of income and losses across U.S. and non-U.S. jurisdictions, caused the Company's effective tax rate to differ from the statutory rate of 21%. The Company's effective tax rate for prior periods has varied considerably primarily due to the impact of goodwill impairment, state taxes, excess tax deficiencies associated with stock-based compensation awards and certain nondeductible items and the mix of income and losses across U.S. and non-U.S. jurisdictions. Changes in pretax income projections and the mix of income across jurisdictions could impact the effective tax rates in future quarters.

The Company continues to have a U.S. valuation allowance for certain U.S. Federal credits and state tax attributes, which relate to deferred tax assets that require either certain types of income or for income to be earned in certain jurisdictions in order to be realized. The Company will continue to assess the realizability of its deferred tax assets in the U.S. and remaining foreign jurisdictions in future periods. Changes in pretax income projections could impact this evaluation in future periods.

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company operates in several foreign jurisdictions with income tax rates that differ from the U.S. Federal statutory rate, which resulted in an expense for 2020 presented in the effective tax rate reconciliation. Significant foreign tax jurisdictions for which the Company realized such expense are Canada and Puerto Rico after the sale of the other international operations.

The components of deferred income tax assets and liabilities consisted of the following:

<i>(In millions)</i>	December 25, 2021	December 26, 2020
U.S. and foreign loss carryforwards	\$ 61	\$ 71
Operating lease right-of-use assets	273	327
Pension and other accrued compensation	47	52
Basis difference in subsidiary held for sale	23	—
Accruals for facility closings	2	2
Inventory	7	8
Self-insurance accruals	14	15
Deferred revenue	10	11
U.S. and foreign income tax credit carryforwards	70	78
Allowance for bad debts	5	5
Accrued expenses	18	19
Basis difference in fixed assets	36	36
Gross deferred tax assets	566	624
Valuation allowance	(93)	(99)
Deferred tax assets	473	525
Internal software	2	3
Operating lease liabilities	251	297
Intangibles	5	8
Undistributed foreign earnings	—	2
Deferred tax liabilities	258	310
Net deferred tax assets	\$ 215	\$ 215

As of December 25, 2021, and December 26, 2020, deferred income tax liabilities amounting to \$4 million and \$4 million, respectively, are included in deferred income taxes and other long-term liabilities.

As of December 25, 2021, the Company has utilized all of its U.S. Federal net operating loss (“NOL”) carryforwards. The Company has \$238 million of foreign and \$866 million of state NOL carryforwards. Of the state NOL carryforwards, \$52 million will expire in 2022 and the remaining balance will expire between 2023 and 2040. The Company has no Federal capital loss carryover available to offset future capital gains generated as of year-end but has accrued for the anticipated tax loss that can be currently recognized related to the sale of CompuCom.

Additionally, the Company has \$56 million of U.S. Federal tax credit carryforwards, which expire between 2022 and 2024, and \$14 million of state and foreign tax credit carryforwards, \$2 million of which can be carried forward indefinitely, and the remainder of which will expire between 2023 and 2028.

As of December 25, 2021, the Company has not triggered an “ownership change” as defined in Internal Revenue Code Section 382 or other similar provisions that would limit the use of NOL and tax credit carryforwards. However, the Company did acquire certain NOLs and other credit carryforwards that may be limited as a result of the purchase. Furthermore, if the Company were to experience an ownership change in future periods, its deferred tax assets and income tax expense may be negatively impacted. Deferred income taxes have been provided on all undistributed earnings of foreign subsidiaries.

The following summarizes the activity related to valuation allowances for deferred tax assets:

<i>(In millions)</i>	2021	2020	2019
Beginning balance	\$ 99	\$ 100	\$ 92
Additions, charged to expense	—	2	8
Reductions	(6)	(3)	—
Ending balance	\$ 93	\$ 99	\$ 100

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company's valuation allowance decreased during 2021 and 2020 due to the expiration of certain credits for which a valuation allowance had been established. During 2019, the Company released established valuation allowances on certain deferred tax assets related to certain credits and carryforwards that are not expected to be utilized prior to expiration. As of December 25, 2021, the Company continues to have a U.S. valuation allowance for certain U.S. Federal credits and certain state tax attributes, which relate to deferred tax assets that require either certain types of income or for income to be earned in certain jurisdictions in order to be realized. The Company will continue to assess the realizability of its deferred tax assets in the U.S. and remaining foreign jurisdictions in future periods. Changes in pretax income projections could impact this evaluation in future periods.

The following table summarizes the activity related to unrecognized tax benefits:

<i>(In millions)</i>	2021		2020		2019	
Beginning balance	\$	13	\$	13	\$	11
Increase related to current year tax positions		—		—		2
Ending balance	\$	13	\$	13	\$	13

Included in the balance of \$13 million at December 25, 2021, is \$6 million of unrecognized tax benefits that, if recognized, would impact the effective tax rate. The other \$7 million primarily results from tax positions that, if sustained, would be offset by changes in deferred tax assets. It is anticipated that no material tax positions will be resolved within the next 12 months. Additionally, the Company anticipates that it is reasonably possible that new issues will be raised or resolved by tax authorities that may require changes to the balance of unrecognized tax benefits; however, an estimate of such changes cannot be reasonably made.

The Company recognizes interest related to unrecognized tax benefits in interest expense and penalties in the provision for income taxes. The Company recognized immaterial interest and penalty expense in 2021, 2020 and 2019. The Company had approximately \$7 million accrued for the payment of interest and penalties as of December 25, 2021.

The Company files a U.S. Federal income tax return and other income tax returns in various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. Federal and state and local income tax examinations for years before 2019 and 2016, respectively. The acquired OfficeMax U.S. consolidated group is no longer subject to U.S. Federal income tax examination and with few exceptions, is no longer subject to U.S. state and local income tax examinations for years before 2016. The U.S. Federal income tax returns for 2020 are currently under review. Generally, the Company is subject to routine examination for years 2016 and forward in its international tax jurisdictions.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 7. EARNINGS (LOSS) PER SHARE

As disclosed in Note 1, a 1-for-10 reverse stock split of the Company's outstanding shares of common stock and a reduction in the number of authorized shares of the Company's common stock by a corresponding ratio became effective on June 30, 2020. All share and per share amounts have been retroactively adjusted for the prior periods presented to give effect to this reverse stock split. The following table presents the calculation of net earnings (loss) per common share — basic and diluted:

(In millions, except per share amounts)	2021	2020	2019
Basic Earnings (Loss) Per Share			
Numerator:			
Net income (loss) from continuing operations	\$ 187	\$ (63)	\$ 127
Loss from discontinued operations, net of tax	(395)	(256)	(28)
Net income (loss)	\$ (208)	\$ (319)	\$ 99
Denominator:			
Weighted-average shares outstanding	53	53	54
Basic earnings (loss) per share:			
Continuing operations	\$ 3.54	\$ (1.20)	\$ 2.32
Discontinued operations	(7.47)	(4.85)	(0.50)
Net basic earnings (loss) per share	\$ (3.93)	\$ (6.05)	\$ 1.82
Diluted Earnings (Loss) Per Share			
Numerator:			
Net income (loss) from continuing operations	\$ 187	\$ (63)	\$ 127
Loss from discontinued operations, net of tax	(395)	(256)	(28)
Net income (loss)	\$ (208)	\$ (319)	\$ 99
Denominator:			
Weighted-average shares outstanding	53	53	54
Effect of dilutive securities:			
Stock options and restricted stock	2	—	1
Diluted weighted-average shares outstanding	55	53	55
Diluted earnings (loss) per share			
Continuing operations	\$ 3.42	\$ (1.20)	\$ 2.29
Discontinued operations	(7.21)	(4.85)	(0.50)
Net diluted earnings (loss) per share	\$ (3.79)	\$ (6.05)	\$ 1.79

Awards of stock options and nonvested shares representing additional shares of outstanding common stock were less than 1 million, 2 million and 1 million for the fiscal years ended December 25, 2021, December 26, 2020 and December 28, 2019, respectively, but were not included in the computation of diluted weighted-average shares outstanding because their effect would have been antidilutive.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment consists of:

<i>(In millions)</i>	December 25, 2021	December 26, 2020
Land	\$ 45	\$ 45
Buildings	200	210
Computer software	693	659
Leasehold improvements	587	598
Furniture, fixtures and equipment	775	784
Construction in progress	12	22
	<u>2,312</u>	<u>2,318</u>
Less accumulated depreciation	<u>(1,835)</u>	<u>(1,776)</u>
Total	\$ 477	\$ 542

The above table of property and equipment includes assets held under finance leases as follows:

<i>(In millions)</i>	December 25, 2021	December 26, 2020
Buildings	\$ 19	\$ 34
Furniture, fixtures and equipment	143	147
	<u>162</u>	<u>181</u>
Less accumulated depreciation	<u>(123)</u>	<u>(122)</u>
Total	\$ 39	\$ 59

Depreciation expense was \$88 million in 2021, \$101 million in 2020 and \$110 million in 2019.

Included in computer software and construction in progress above are capitalized software costs of \$699 million and \$671 million at December 25, 2021 and December 26, 2020, respectively. The unamortized amounts of the capitalized software costs are \$115 million and \$121 million at December 25, 2021 and December 26, 2020, respectively. Amortization of capitalized software costs totaled \$49 million, \$50 million and \$49 million in 2021, 2020 and 2019, respectively. Software development costs that do not meet the criteria for capitalization are expensed as incurred.

Estimated future amortization expense related to capitalized software at December 25, 2021 is as follows:

<i>(In millions)</i>	
2022	\$ 38
2023	31
2024	23
2025	16
2026	7
Thereafter	—

The weighted average remaining amortization period for capitalized software is 4 years.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9. GOODWILL AND OTHER INTANGIBLE ASSETS

GOODWILL

The components of goodwill by segment are provided in the following table:

<i>(In millions)</i>	Business Solutions Division	Retail Division	Other	Total
Balance as of December 26, 2020	\$ 316	\$ 78	\$ —	\$ 394
Acquisitions	1	—	67	68
Purchase accounting adjustments	1	—	1	2
Balance as of December 25, 2021	\$ 318	\$ 78	\$ 68	\$ 464

Additions to goodwill relate to acquisitions made during 2021, as well as the impact of purchase accounting adjustments associated with 2021 and 2020 acquisitions. As disclosed in Note 2, these adjustments were insignificant individually and in the aggregate to the Company's Consolidated Financial Statements. Goodwill balance in the Business Solutions Division in the table above is net of accumulated impairment loss of \$349 million recognized in 2008 and \$115 million recognized in 2020.

Goodwill and indefinite-lived intangible assets are tested for impairment annually as of the first day of fiscal month December or more frequently when events or changes in circumstances indicate that impairment may have occurred. The Company performed its fourth quarter 2021 annual goodwill impairment test using a quantitative assessment for its Contract, CompuCom, and Varis reporting units, and qualitative assessments for all other reporting units. The Contract reporting unit is a component of the Business Solutions Division segment, and the Varis reporting unit comprises the Varis segment, which was created in 2021 and is presented in Other. The CompuCom reporting unit is classified as discontinued operations; refer to Note 17 for further information.

The quantitative assessment for the Contract and Varis reporting units combined the income approach and the market approach valuation methodologies and concluded that the fair value of these reporting units exceed their carrying amounts. The margin of passage for the Contract reporting unit was 16%. The quantitative assessment for the CompuCom reporting unit was based on the fair value of the CompuCom Division, indicated by the terms of the sales and purchase agreement related to its sale, and resulted in an impairment charge of \$112 million in the fourth quarter of 2021, reducing the goodwill for this reporting unit to zero. The Company had previously recorded a goodwill impairment charge of \$103 million for the CompuCom reporting unit during the second quarter of 2021, based on an interim quantitative goodwill impairment test that was determined to be required due to the continued macroeconomic impacts of COVID-19 on CompuCom's current and projected future results of operations as further described below. These non-cash goodwill impairment charges associated with the CompuCom reporting unit totaling \$215 million are presented within the Discontinued operations, net of tax line for 2021 in the accompanying Consolidated Statements of Operations. At December 25, 2021, the CompuCom reporting unit does not have remaining goodwill in the accompanying Consolidated Balance Sheets.

The decline in the fair value of the CompuCom reporting unit has resulted from continued macroeconomic impacts of COVID-19, particularly as it relates to the disruptions to the operations of its business customers, which lowered the projected revenue growth rate and profitability level of the reporting unit. The duration of the impacts of the pandemic are expected to be longer than previously anticipated for CompuCom, which has significantly impacted the Company's expectations on timing for its customers returning back to levels of historical operations, impacting annuity-based and project-based service revenues, as well as product revenues. In addition, the Company has experienced an increase in product costs due to supply constraints, which had a negative impact on its profitability levels, and is expected to further impact future periods. The consideration of incremental risk associated with the continued uncertainty related to the pace of the economic recovery was also a factor that contributed to the decline in the fair values of the reporting unit.

The fair value estimate for the CompuCom reporting unit during the second quarter of 2021 was based on a blended analysis of the present value of future discounted cash flows and market value approach. The significant estimates used in the discounted cash flow model included the Company's weighted average cost of capital, projected cash flows and the long-term rate of growth. The assumptions were based on the actual historical performance of the reporting unit and took into account the recent and continued weakening of operating results as well as the anticipated rate of recovery, and implied risk premiums based on market prices of the Company's equity and debt as of the assessment date. Significant estimates in the market approach model included identifying similar companies with comparable business factors such as size, growth, profitability, risk and return on investment and assessing comparable revenue and earnings multiples in estimating the fair value of the reporting unit. The fair value estimate for the

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CompuCom reporting unit during the fourth quarter of 2021 was based on the estimated consideration for the sale of the CompuCom Division, and used the terms of the sales and purchase agreement related to its sale as key inputs, as noted above. The estimated fair value included consideration expected to be received, after accounting for adjustments allowed by the sales and purchase agreement for indebtedness, net working capital, and excess cash, as well as any contingent consideration.

The Company will continue to evaluate the recoverability of goodwill at the reporting unit level on an annual basis and whenever events or changes in circumstances indicate there may be a potential impairment. If the operating results of the Company's reporting units deteriorate in the future, it may cause the fair value of one or more of the reporting units to fall below their carrying value, resulting in additional goodwill impairment charges.

INDEFINITE-LIVED INTANGIBLE ASSETS

The Company had \$13 million of trade names as of both December 25, 2021 and December 26, 2020. These indefinite-lived intangible assets are included in Other intangible assets, net in the Consolidated Balance Sheets.

The Company performed its annual indefinite-lived intangible assets impairment test on the first day of fiscal month December in 2021. The CompuCom trade name, which is an indefinite-lived intangible asset, was tested for impairment using the relief from royalty method as part of this assessment, and was determined to be impaired as its carrying value exceeded its fair value by \$26 million. The Company had previously performed an interim impairment test on the CompuCom trade name during the second quarter of 2021 due to indicators of impairment identified related to the CompuCom reporting unit. This interim test was also performed using the relief from royalty method and resulted in an impairment charge of \$11 million in the second quarter of 2021. These non-cash impairment charges totaling \$37 million are presented within the Discontinued operations, net of tax line for 2021 in the accompanying Consolidated Statements of Operations.

The Company recognized \$2 million of impairment charges to its other indefinite-lived intangible assets in 2019.

DEFINITE INTANGIBLE ASSETS

Definite-lived intangible assets, which are included in Other intangible assets, net in the Consolidated Balance Sheets, are as follows:

<i>(In millions)</i>	December 25, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 122	\$ (84)	\$ 38
Technology	6	(2)	4
Total	\$ 128	\$ (86)	\$ 42

<i>(In millions)</i>	December 26, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 122	\$ (78)	\$ 44
Technology	—	—	—
Total	\$ 122	\$ (78)	\$ 44

Definite-lived intangible assets generally are amortized using the straight-line method. The remaining weighted average amortization periods for customer relationships is 10 years.

Amortization of intangible assets was \$9 million in 2021, \$6 million in 2020 and \$6 million in 2019. Intangible assets amortization expenses are included in the Consolidated Statements of Operations in Selling, general and administrative expenses.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Estimated future amortization expense for the intangible assets is as follows:

<i>(In millions)</i>	
2022	\$ 9
2023	5
2024	3
2025	3
2026	3
Thereafter	19
Total	\$ 42

Definite-lived intangible assets are reviewed whenever events and circumstances indicate the carrying amount may not be recoverable and the remaining useful lives are appropriate. No impairment charges related to definite-lived intangible assets were recognized during 2021, 2020 and 2019.

NOTE 10. DEBT

Debt consists of the following:

<i>(In millions)</i>	December 25, 2021	December 26, 2020
Short-term borrowings and current maturities of long-term debt:		
Finance lease obligations	\$ 17	\$ 21
Other current maturities of long-term debt	3	3
Total	\$ 20	\$ 24
Long-term debt, net of current maturities:		
New Facilities loans under the Third Amended Credit Agreement, due 2025	100	100
Revenue bonds, due in varying amounts periodically through 2029	75	176
American & Foreign Power Company, Inc. 5% debentures, due 2030	15	15
Finance lease obligations	35	57
Other financing obligations	3	6
Total	\$ 228	\$ 354

The Company was in compliance with all applicable covenants of existing loan agreements at December 25, 2021.

THIRD AMENDED CREDIT AGREEMENT

On April 17, 2020, the Company entered into the Third Amended and Restated Credit Agreement (the "Third Amended Credit Agreement"), which provides for a \$1.2 billion asset-based revolving credit facility (the "Revolving Loan Facility") and a \$100 million asset-based first-in, last-out term loan facility (the "FILO Term Loan Facility"), for an aggregate principal amount of up to \$1.3 billion (the "New Facilities"). The New Facilities mature on April 17, 2025. The Third Amended Credit Agreement replaced the Company's then existing Amended Credit Agreement that was due to mature in May 2021. The Third Amended Credit Agreement also provides that the Revolving Loan Facility may be increased by up to \$250 million, subject to certain terms and conditions, including increased commitments from existing or new lenders. As provided by the Third Amended Credit Agreement, available amounts that can be borrowed at any given time are based on percentages of certain outstanding accounts receivable, credit card receivables, inventory, cash value of company-owned life insurance policies, and certain specific real estate of the Company (the "Borrowing Base"). The Revolving Loan Facility includes two sub-facilities of: (1) up to \$1.150 billion which is available to the Company and certain of the Company's domestic subsidiaries (which includes a letter of credit sub-facility of up to \$400 million and a swingline loan sub-facility of up to \$115 million); and (2) up to \$50 million which is available to certain of the Company's Canadian subsidiaries (which includes a letter of credit sub-facility of up to \$25 million and a swingline loan sub-facility of up to \$5 million). Certain of the Company's subsidiaries guarantee the obligations under the New Facilities (the "Guarantors"). All loans borrowed under the Revolving Loan Facility may be borrowed, repaid and reborrowed from time to time until the maturity date of April 17, 2025 as provided in the Third Amended Credit Agreement. The FILO Term Loan Facility, once repaid, may not be reborrowed.

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All amounts borrowed under the New Facilities, as well as the obligations of the Guarantors, are secured by a first priority lien on the Company's and such Guarantors' accounts receivables, inventory, cash, cash equivalents, deposit accounts, intercompany loan rights, certain pledged notes, certain life insurance policies, certain related assets, certain real estate and the proceeds thereof in each case. At the Company's option, borrowings made pursuant to the Third Amended Credit Agreement bear interest at either, (i) the alternate base rate (defined as the higher of the Prime Rate (as announced by the agent), the Federal Funds Rate plus 1/2 of 1% and the one month Adjusted LIBOR (defined below) plus 1%) or (ii) the Adjusted LIBOR (defined as the LIBOR as adjusted for statutory reserves) plus, in either case, a certain margin based on the aggregate average availability under the Third Amended Credit Agreement.

The Third Amended Credit Agreement contains representations, warranties, affirmative and negative covenants, and default provisions which are conditions precedent to borrowing. The most significant of these covenants and default provisions include limitations in certain circumstances on acquisitions, dispositions, share repurchases and the payment of cash dividends.

The New Facilities also include provisions whereby if the global availability is less than 12.5% of the Borrowing Base, the Company's cash collections go first to the agent to satisfy outstanding borrowings. Further, if total availability falls below 10% of the Borrowing Base, a fixed charge coverage ratio test is required. Any event of default that is not cured within the permitted period, including non-payment of amounts when due, any debt in excess of \$25 million becoming due before the scheduled maturity date, or the acquisition of more than 40% of the ownership of the Company by any person or group, within the meaning of the Securities and Exchange Act of 1934, could result in a termination of the New Facilities and all amounts outstanding becoming immediately due and payable.

In 2020, the Company incurred approximately \$6 million of new debt issuance costs under the Third Amended Credit Agreement, which will be recognized in interest expense through April 17, 2025, the maturity date of the New Facilities.

Upon the closing of the Third Amended Credit Agreement, the Company made an initial borrowing in the amount of \$400 million under the New Facilities in the second quarter of 2020. These proceeds, along with available cash on hand, were used to repay in full the remaining \$388 million balance under the Term Loan Credit Agreement (as defined in the section below) and terminate it and to repay approximately \$66 million of borrowings and interest associated with the Company's company-owned life insurance policies, which, prior to their repayment were presented as a reduction to the company-owned life insurance policies asset balances within Other Assets. The Company recognized \$12 million of loss from the extinguishment and modification of debt related to this transaction in 2020, which primarily included the write-off of the remaining unamortized original issue discount and debt issuance costs of the Term Loan Credit Agreement as of the closing date of the transaction, and is reflected in the Loss on extinguishment and modification of debt line item of the Consolidated Statement of Operations in 2020. During the third quarter of 2020, the Company repaid \$300 million of revolving loans outstanding under the Third Amended Credit Agreement.

At December 25, 2021, the Company had no revolving loans outstanding, \$100 million of outstanding FILO Term Loan Facility loans, \$49 million of outstanding standby letters of credit, and \$877 million of available credit under the Third Amended Credit Agreement. Upon the sale of CompuCom on December 31, 2021, the Company had \$776 million of available credit under the Third Amended Credit Agreement.

OTHER SHORT- AND LONG-TERM DEBT

As a result of the OfficeMax merger, the Company assumed the liability for the amounts in the table above on page 87 related to the (i) Revenue bonds, due in varying amounts periodically through 2029, and (ii) American & Foreign Power Company, Inc. 5% debentures, due 2030. Also, the Company has finance lease obligations which relate to buildings and equipment, and various other financing obligations for the amounts included in the table above on page 87.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SCHEDULE OF DEBT MATURITIES

Aggregate annual maturities of recourse debt, finance lease, and other financing obligations are as follows:

<i>(In millions)</i>	
2022	\$ 22
2023	17
2024	9
2025	106
2026	37
Thereafter	62
Total	253
Less interest on finance leases	(5)
Total	248
Less:	
Current portion	(20)
Total long-term debt	\$ 228

NOTE 11. LEASES

The Company leases retail stores and other facilities, vehicles, and equipment under operating lease agreements. Facility leases typically are for a fixed non-cancellable term with one or more renewal options. In addition to rent payments, the Company is required to pay certain variable lease costs such as real estate taxes, insurance and common-area maintenance on most of the facility leases. For leases beginning in 2019, the Company accounts for lease components (e.g., fixed payments including rent) and non-lease components (e.g., real estate taxes, insurance costs and common-area maintenance costs) as a single lease component. Certain leases contain provisions for additional rent to be paid if sales exceed a specified amount, though such payments have been immaterial during the periods presented, and are recognized as variable lease cost. The Company subleases certain real estate to third parties, consisting mainly of operating leases for space within the retail stores.

The components of lease expense were as follows:

<i>(In millions)</i>	2021	2020	2019
Finance lease cost:			
Amortization of right-of-use assets	\$ 18	\$ 18	\$ 17
Interest on lease liabilities	3	4	5
Operating lease cost	350	402	419
Short-term lease cost	4	6	5
Variable lease cost	99	112	118
Sublease income	(2)	(2)	(2)
Total lease cost	\$ 472	\$ 540	\$ 562

Supplemental cash flow information related to leases was as follows:

<i>(In millions)</i>	2021	2020	2019
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from finance leases	\$ 3	\$ 4	\$ 5
Operating cash flows from operating leases	408	447	473
Financing cash flows from finance leases	22	20	21
Right-of-use assets obtained in exchange for new finance lease liabilities	3	29	27
Right-of-use assets obtained in exchange for new operating lease liabilities	127	117	327

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Supplemental balance sheets information related to leases was as follows:

<i>(In millions, except lease term and discount rate)</i>	December 25, 2021	December 26, 2020
Property and equipment, net	\$ 39	\$ 59
Operating lease right-of-use assets	936	1,107
Accrued expenses and other current liabilities	304	334
Short-term borrowings and current maturities of long-term debt	17	21
Long-term debt, net of current maturities	35	57
Operating lease liabilities	753	935
Weighted-average remaining lease term – finance leases	4	5
Weighted-average remaining lease term – operating leases	5	5
Weighted-average discount rate – finance leases	5.0%	5.4%
Weighted-average discount rate – operating leases	5.8%	6.4%

Maturities of lease liabilities as of December 25, 2021 were as follows:

<i>(In millions)</i>	December 25, 2021	
	Operating Leases(1)	Finance Leases(2)
2022	\$ 358	\$ 19
2023	283	15
2024	199	8
2025	134	7
2026	102	5
Thereafter	140	3
	1,216	57
Less imputed interest	(159)	(5)
Total	\$ 1,057	\$ 52

Reported as of December 25, 2021

Accrued expenses and other current liabilities	\$ 304	\$ —
Short-term borrowings and current maturities of long-term debt	—	17
Long-term debt, net of current maturities	—	35
Operating lease liabilities	753	—
Total	\$ 1,057	\$ 52

(1) Operating lease payments include \$77 million related to options to extend lease terms that are reasonably certain of being exercised.

(2) Finance lease payments include \$1 million related to options to extend lease terms that are reasonably certain of being exercised.

NOTE 12. STOCKHOLDERS' EQUITY

PREFERRED STOCK

As of each of December 25, 2021, and December 26, 2020, there were 1,000,000 shares of \$0.01 par value per share of preferred stock authorized; no shares were issued and outstanding.

TREASURY STOCK

In May 2021, the Board of Directors approved a new stock repurchase program of up to \$300 million of its common stock, available through June 30, 2022, which replaced the then existing \$200 million stock repurchase program. On November 16, 2021, the Company entered into an accelerated share repurchase agreement ("ASR") to repurchase shares of the Company's common stock in exchange for an up-front payment \$150 million and increased the authorization to \$450 million. The total number of shares ultimately delivered under the ASR, and therefore the average repurchase price paid per share, will be determined based on the volume weighted-

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average price of the Company's stock during the purchase period less a discount. The repurchase period runs through June 2022. The Company received 2.8 million shares of its common stock at the initiation of the ASR, which has increased treasury stock by \$120 million, and the \$30 million additional up-front payment was accounted for as a reduction in additional paid in capital. The ASR is a forward contract indexed to the Company's common stock and met all of the applicable criteria for equity classification; therefore, it was not accounted for as a derivative instrument. Expenses incurred in connection with the ASR were recorded as a charge to additional paid in capital. The Board of Directors reviewed the Company's existing capital allocation programs in connection with the sale of CompuCom, and on December 31, 2021, authorized an additional \$200 million for share repurchases under the existing stock repurchase program, for a total authorization of \$650 million. The new authorization may be suspended or discontinued at any time. The exact timing of share repurchases will depend on market conditions and other factors, and will be funded through available cash balances.

Under the current stock repurchase program, the Company purchased approximately 6 million shares of its common stock at a cost of \$277 million in 2021. As of December 25, 2021, \$142 million remains available for stock repurchases under the current stock repurchase program.

At December 25, 2021, there were 16 million shares of common stock held in treasury. The Company's Third Amended Credit Facility permits restricted payments, such as common stock repurchases, but may be limited if the Company does not meet the required minimum liquidity or fixed charge coverage ratio requirements. Refer to Note 10 for additional information about the Company's compliance with covenants.

DIVIDENDS ON COMMON STOCK

In May 2020, in order to preserve liquidity during the COVID-19 pandemic and in light of the uncertainties as to its duration and economic impact, the Company's Board of Directors suspended the Company's quarterly cash dividend beginning in the second quarter of 2020. There was no quarterly cash dividend declared and paid in fiscal 2021. The Company's quarterly cash dividend remains suspended. Prior to its suspension, dividends had been recorded as a reduction to additional paid-in capital as the Company is in an accumulated deficit position. The Company's Third Amended Credit Agreement permits restricted payments, such as dividends, but may be limited if the Company does not meet the required minimum liquidity or fixed charge coverage ratio requirements. Refer to Note 10 for additional information about the Company's compliance with covenants.

ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss activity, net of tax, where applicable, is provided in the following tables:

<i>(In millions)</i>	Foreign Currency Translation Adjustments	Change in Deferred Pension	Total
Balance at December 26, 2020	\$ (27)	\$ (5)	\$ (32)
Other comprehensive income activity	—	32	32
Tax impact	—	(6)	(6)
Total other comprehensive income, net of tax, where applicable	—	26	26
Balance at December 25, 2021	\$ (27)	\$ 21	\$ (6)

<i>(In millions)</i>	Foreign Currency Translation Adjustments	Change in Deferred Pension	Total
Balance at December 28, 2019	\$ (29)	\$ (37)	\$ (66)
Other comprehensive income activity	2	39	41
Tax impact	—	(7)	(7)
Total other comprehensive income, net of tax, where applicable	2	32	34
Balance at December 26, 2020	\$ (27)	\$ (5)	\$ (32)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 13. STOCK-BASED COMPENSATION
LONG-TERM INCENTIVE PLANS

During 2019, the Company's Board of Directors adopted, and the shareholders approved, the Office Depot, Inc. 2019 Long-Term Incentive Plan (the "Plan"). The Plan replaces the Office Depot, Inc. 2017 Long-Term Incentive Plan, the Office Depot, Inc. 2015 Long-Term Incentive Plan, the Office Depot, Inc. 2007 Long-Term Incentive Plan, as amended, and the 2003 OfficeMax Incentive and Performance Plan (together, the "Prior Plans"). No additional awards were granted under the Prior Plans effective May 7, 2019, the effective date of the Plan. The Plan permits the issuance of stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, and other equity-based incentive awards. Employee share-based awards are generally issued in the first quarter of the year. Total compensation expense for share-based awards was \$38 million in 2021, \$41 million in 2020 and \$33 million in 2019, and the total recognized tax benefit related thereto was \$14 million in 2021, \$3 million in 2020 and \$6 million in 2019.

In accordance with the Plan and the Prior Plans (collectively, the "Stock Plans"), the Board of Directors will adjust the number of shares of common stock available for future grant, the number of shares of common stock underlying outstanding awards, the exercise price per share of outstanding stock options, and other terms of outstanding awards granted by the Stock Plans to reflect the effects of the 1-for-10 reverse stock split. Any fractional shares that would otherwise result from the reverse stock split adjustments related to outstanding equity awards will be eliminated through rounding in accordance with the Stock Plans. Refer to Note 1 for additional information about the 1-for-10 reverse stock split.

RESTRICTED STOCK AND RESTRICTED STOCK UNITS

In 2021, the Company granted 0.5 million shares of restricted stock and restricted stock units to eligible employees which included 30,000 shares granted to the Board of Directors. The Board of Directors are granted restricted stock units as part of their annual compensation which vest immediately on the grant date with distribution to occur following their separation from service with the Company. Restricted stock grants to Company employees typically vest annually over a three-year service period. A summary of the status of the Company's nonvested shares and changes during 2021, 2020 and 2019 is presented below.

	2021		2020		2019	
	Shares	Weighted Average Grant-Date Price	Shares	Weighted Average Grant-Date Price	Shares ⁽¹⁾	Weighted Average Grant-Date Price ⁽¹⁾
Outstanding at beginning of year	1,526,653	\$ 24.71	1,394,756	\$ 30.40	1,496,419	\$ 30.48
Granted	521,512	39.55	835,828	19.92	740,236	29.90
Vested	(593,249)	23.72	(579,584)	30.71	(593,440)	30.88
Forfeited	(68,138)	29.20	(124,347)	28.60	(248,459)	28.56
Outstanding at end of year	1,386,778	\$ 30.48	1,526,653	\$ 24.71	1,394,756	\$ 30.40

⁽¹⁾ As disclosed in Note 1, a 1-for-10 reverse stock split of the Company's outstanding shares of common stock and a reduction in the number of authorized shares of the Company's common stock by a corresponding ratio became effective on June 30, 2020. All shares and per share amounts have been retroactively adjusted for the 2019 period presented to give effect to this reverse stock split.

As of December 25, 2021, there was approximately \$23 million of total unrecognized compensation cost related to nonvested restricted stock. This expense, net of forfeitures, is expected to be recognized over a weighted-average period of approximately 2.1 years. Total outstanding shares of 1.4 million include 0.2 million granted to members of the Board of Directors that have vested but will not be issued until separation from service and 1.2 million unvested shares granted to employees. The Company estimates that all 1.2 million unvested shares at year end will vest. The total fair value of shares at the time they vested during 2021 was \$24.2 million.

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PERFORMANCE-BASED INCENTIVE PROGRAM

The Company has a performance-based long-term incentive program consisting of performance stock units. Payouts under this program are based on achievement of certain financial targets, including the Company's financial performance and total shareholder return performance set by the Board of Directors and are subject to additional service vesting requirements, generally three years from the grant date.

A summary of the activity in the performance-based long-term incentive program since inception is presented below.

	2021		2020		2019	
	Shares	Weighted Average Grant-Date Price	Shares	Weighted Average Grant-Date Price	Shares ⁽¹⁾	Weighted Average Grant-Date Price ⁽¹⁾
Outstanding at beginning of year	2,458,978	\$ 24.22	1,994,111	\$ 29.05	1,913,397	\$ 28.83
Granted	1,298,868	41.44	932,344	19.42	1,026,743	31.00
Vested	(1,374,442)	23.47	(151,905)	41.80	(284,366)	33.12
Forfeited	(207,573)	28.71	(315,572)	27.10	(661,663)	28.87
Outstanding at end of year ⁽²⁾	2,175,831	\$ 29.33	2,458,978	\$ 24.22	1,994,111	\$ 29.05

⁽¹⁾ As disclosed in Note 1, a 1-for-10 reverse stock split of the Company's outstanding shares of common stock and a reduction in the number of authorized shares of the Company's common stock by a corresponding ratio became effective on June 30, 2020. All shares and per share amounts have been retroactively adjusted for the 2019 period presented to give effect to this reverse stock split.

⁽²⁾ Outstanding shares at the end of 2021 include 5.6 million shares of awards granted in 2020 that will be settled in cash in 2023. These awards are remeasured to fair value at each reporting period. The remeasurement impact was not material in 2021 and 2020.

As of December 25, 2021, there was approximately \$29 million of total unrecognized compensation expense related to the performance-based long-term incentive program. This expense, net of forfeitures, is expected to be recognized over a weighted-average period of approximately 2 years. Forfeitures in the table above include adjustments to the share impact of anticipated performance achievement. The Company estimates that 2.2 million unvested shares at year end will vest. The total fair value of shares at the time they vested during 2021 was \$55 million.

NOTE 14. EMPLOYEE BENEFIT PLANS

PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS — NORTH AMERICA

The Company has retirement obligations under OfficeMax's U.S. pension plans. The Company sponsors these defined benefit pension plans covering certain terminated employees, vested employees, retirees and some active employees. In 2004 or earlier, OfficeMax's pension plans were closed to new entrants and the benefits of eligible participants were frozen. Under the terms of these plans, the pension benefit for employees was based primarily on the employees' years of service and benefit plan formulas that varied by plan. The Company's general funding policy is to make contributions to the plans in amounts that are within the limits of deductibility under current tax regulations, and not less than the minimum contribution required by law.

Additionally, under previous OfficeMax arrangements, the Company has responsibility for sponsoring retiree medical benefit and life insurance plans including plans related to operations in the U.S. and Canada (referred to as "Other Benefits" in the tables below). The type of retiree benefits and the extent of coverage vary based on employee classification, date of retirement, location, and other factors. All of these postretirement medical plans are unfunded. The Company explicitly reserves the right to amend or terminate its retiree medical and life insurance plans at any time, subject only to constraints, if any, imposed by the terms of collective bargaining agreements. Amendment or termination may significantly affect the amount of expense incurred.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Obligations and Funded Status

The following table provides a reconciliation of changes in the projected benefit obligation and the fair value of plan assets, as well as the funded status of the plans to amounts recognized on the Company's Consolidated Balance Sheets.

<i>(In millions)</i>	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Changes in projected benefit obligation:				
Obligation at beginning of period	\$ 924	\$ 906	\$ 14	\$ 13
Service cost	—	—	—	—
Interest cost	20	28	—	—
Assumption changes	(28)	—	—	1
Actuarial (gain) loss	(12)	68	—	—
Currency exchange rate change	—	—	—	1
Benefits paid	(74)	(78)	(1)	(1)
Obligation at end of period	\$ 830	\$ 924	\$ 13	\$ 14
Change in plan assets:				
Fair value of plan assets at beginning of period	\$ 894	\$ 833	\$ —	\$ —
Actual return on plan assets	14	130	—	—
Employer contribution	2	9	1	1
Benefits paid	(74)	(78)	(1)	(1)
Fair value of plan assets at end of period	836	894	—	—
Net asset (liability) recognized at end of period	\$ 6	\$ (30)	\$ (13)	\$ (14)

The following table shows the amounts recognized in the Consolidated Balance Sheets related to the Company's North America defined benefit pension and other postretirement benefit plans as of year-ends:

<i>(In millions)</i>	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Noncurrent assets	\$ 18	\$ —	\$ —	\$ —
Current liabilities	(2)	(2)	(1)	(1)
Noncurrent liabilities	(10)	(28)	(12)	(13)
Net amount recognized	\$ 6	\$ (30)	\$ (13)	\$ (14)

The following table provides the accumulated benefit obligation for the Company's North America defined benefit pension and other postretirement benefit plans with a projected benefit obligation and an accumulated benefit obligation in excess of plan assets as of year ends:

<i>(In millions)</i>	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Accumulated benefit obligation in excess of plan assets				
Accumulated benefit obligation at end of period	\$ (11)	\$ (924)	\$ (13)	\$ (14)
Fair value of plan assets at end of period	—	894	—	—
Projected benefit obligation in excess of plan assets				
Benefit obligation at end of period	(11)	(924)	—	—
Fair value of plan assets at end of period	—	894	—	—

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Components of Net Periodic Cost (Benefit)

The components of net periodic cost (benefit) are as follows:

<i>(In millions)</i>	Pension Benefits			Other Benefits		
	2021	2020	2019	2021	2020	2019
Service cost	\$ —	\$ —	\$ 7	\$ —	\$ —	\$ —
Interest cost	20	28	36	—	—	—
Expected return on plan assets	(29)	(32)	(42)	—	—	—
Net periodic cost (benefit)	\$ (9)	\$ (4)	\$ 1	\$ —	\$ —	\$ —

Other changes in plan assets and benefit obligations recognized in other comprehensive loss (income) are as follows:

<i>(In millions)</i>	Pension Benefits			Other Benefits		
	2021	2020	2019	2021	2020	2019
Accumulated other comprehensive loss (income) at beginning of year	\$ (21)	\$ 9	\$ 35	\$ 1	\$ —	\$ (1)
Net loss (gain)	(25)	(30)	(26)	(1)	1	1
Accumulated other comprehensive loss (income) at end of year	\$ (46)	\$ (21)	\$ 9	\$ —	\$ 1	\$ —

Accumulated other comprehensive loss (income) as of year-ends 2021 and 2020 consist of net losses (gains).

Assumptions

The assumptions used in accounting for the Company's plans are estimates of factors including, among other things, the amount and timing of future benefit payments. The following table presents the key weighted average assumptions used in the measurement of the Company's benefit obligations as of year-ends:

	Pension Benefits			Other Benefits					
				United States			Canada		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Discount rate	2.69%	2.27%	3.26%	2.40%	1.90%	2.80%	2.90%	2.50%	3.10%

The following table presents the weighted average assumptions used in the measurement of net periodic benefit:

	Pension Benefits			Other Benefits					
				United States			Canada		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Discount rate	2.27%	3.26%	4.31%	1.90%	2.80%	3.90%	2.50%	3.10%	3.90%
Expected long-term rate of return on plan assets	4.31%	5.16%	5.44%	—%	—%	—%	—%	—%	—%

For pension benefits, the selected discount rates (which is required to be the rates at which the projected benefit obligations could be effectively settled as of the measurement date) are based on the rates of return for a theoretical portfolio of high-grade corporate bonds (rated AA- or better) with cash flows that generally match expected benefit payments in future years. In selecting bonds for this theoretical portfolio, the Company focuses on bonds that match cash flows to benefit payments and limit the concentration of bonds by issuer. To the extent scheduled bond proceeds exceed the estimated benefit payments in a given period, the yield calculation assumes those excess proceeds are reinvested at an assumed forward rate. The implied forward rate used in the bond model is based on the FTSE (formerly Citigroup) Pension Discount Curve as of the last day of the year. The selected discount rate for other benefits is from a discount rate curve matched to the assumed payout of related obligations. In 2021, as a result of an increase in the discount rate assumption, pension plan obligations decreased by \$31 million. In 2020, as a result of a decrease in the discount rate assumption, pension plan obligations increased by \$78 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The expected long-term rates of return on plan assets assumptions are based on the weighted average of expected returns for the major asset classes in which the plans' assets are held. Asset-class expected returns are based on long-term historical returns, inflation expectations, forecasted gross domestic product and earnings growth, as well as other economic factors. The weights assigned to each asset class are based on the Company's investment strategy. The weighted average expected return on plan assets used in the calculation of net periodic pension cost for 2022 is 3.64%.

Obligation and costs related to the Canadian retiree health plan are impacted by changes in trend rates.

The following table presents the assumed healthcare cost trend rates used in measuring the Company's postretirement benefit obligations at year-ends:

	2021	2020	2019
Weighted average assumptions as of year-end:			
Healthcare cost trend rate assumed for next year	6.20 %	6.10%	6.20%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.00 %	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2041	2029	2029

The Company reassessed the assumptions, including those related to mortality, to measure the North American pension and other postretirement benefit plan obligations at year end 2021, adopting the most applicable mortality tables and improvement factors released in 2021 by The Society of Actuaries' Retirement Plan Experience Committee. In 2021, as a result of a decrease in the mortality assumption, pension and other postretirement benefit plan obligations increased by \$3 million and less than \$1 million, respectively. In 2020, as a result of an increase in the mortality assumption, pension and other postretirement benefit plan obligations decreased by \$10 million and less than \$1 million, respectively.

For pension benefits, most of the obligation is based on participant data from the beginning of the year, which is rolled forward using standard actuarial techniques to the end of the year. Therefore, most actuarial (gains) losses that arise from demographic experience of participants varying from the selected assumptions, are not recognized until the following year. In 2021, pension plan obligations decreased by \$12 million due to actuarial gains. This was primarily due to higher than assumed participant mortality in 2020 and a data clean-up of previously deceased beneficiaries. In 2020, pension plan obligations decreased by less than \$1 million due to actuarial gains.

Plan Assets

The allocation of pension plan assets by category at year-ends is as follows:

	2021	2020
Cash	1 %	1%
Common collective trust funds	99 %	99%
	100 %	100%

The Employee Benefit Committee is responsible for establishing and overseeing the implementation of the investment policy for the Company's pension plans. The investment policy is structured to optimize growth of the pension plan trust assets, while minimizing the risk of significant losses, in order to enable the plans to satisfy their benefit payment obligations over time. The Company uses a glide path investment strategy and Company contributions as its primary rebalancing mechanisms to maintain the asset class exposures within the guideline ranges established under the investment policy.

In the second quarter of 2017, the Company reinvested substantially all of the assets attributable to the U.S. pension plans in common collective trust funds. The common collective trust funds are comprised of a diversified portfolio of investments across various asset classes, including U.S. and international equities and fixed-income securities. The common collective trust funds are valued at the net asset value ("NAV") provided by the administrator of the fund. The net asset value is based on the value of the underlying assets owned by the fund, minus its liabilities, divided by the number of units outstanding.

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The investment policy for the pension plan assets allows for a broad range of asset allocations that permit the plans to de-risk in response to changes in funded position and market risks. The investment policy includes a general target asset allocation range of 5% to 15% equity securities and 85% to 95% fixed income securities. The allocation range varies to be more weighted to fixed income securities as funded status increases. Occasionally, the Company may utilize futures or other financial instruments to alter the pension trust's exposure to various asset classes in a lower-cost manner than trading securities in the underlying portfolios.

The following table presents the pension plan assets by level within the fair value hierarchy at year-ends.

(In millions)

Asset Category	Fair Value Measurements 2021				
	Total	Assets Measured at NAV (a)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan assets measured at net asset value: (a)					
Common collective trust funds:					
U.S. small and mid-cap equity securities	\$ 7	\$ 7	\$ —	\$ —	\$ —
U.S. large cap equity securities	29	29	—	—	—
International equity securities	42	42	—	—	—
Corporate bonds	485	485	—	—	—
Government securities	245	245	—	—	—
Other fixed-income	4	4	—	—	—
Cash	18	18	—	—	—
Total common collective trust funds	830	830	—	—	—
Total plan assets measured at net asset value	830	830	—	—	—
Plan assets measured in the fair value hierarchy:					
Cash	6	—	6	—	—
Total plan assets measured in the fair value hierarchy	6	—	6	—	—
Total plan assets	\$ 836	\$ 830	\$ 6	\$ —	\$ —

(a) Fair values of Common collective trust funds are estimated using net asset value per unit as a practical expedient which are excluded from the disclosure requirement to classify amounts in the fair value hierarchy in connection with the adoption of Accounting Standards Update (ASU) 2015-07, Fair Value Measurement (Topic 820); Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).

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(In millions)

Asset Category	Fair Value Measurements 2020				
	Total	Assets Measured at NAV (a)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan assets measured at net asset value: (a)					
Common collective trust funds:					
U.S. small and mid-cap equity securities	\$ 22	\$ 22	\$ —	\$ —	\$ —
U.S. large cap equity securities	94	94	—	—	—
International equity securities	133	133	—	—	—
Corporate bonds	409	409	—	—	—
Government securities	214	214	—	—	—
Other fixed-income	3	3	—	—	—
Cash	13	13	—	—	—
Total common collective trust funds	888	888	—	—	—
Total plan assets measured at net asset value	888	888	—	—	—
Plan assets measured in the fair value hierarchy:					
Cash	6	—	6	—	—
Total plan assets measured in the fair value hierarchy	6	—	6	—	—
Total plan assets	\$ 894	\$ 888	\$ 6	\$ —	\$ —

(a) Fair values of Common collective trust funds are estimated using net asset value per unit as a practical expedient which are excluded from the disclosure requirement to classify amounts in the fair value hierarchy in connection with the adoption of Accounting Standards Update (ASU) 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Cash Flows

Pension plan contributions include required statutory minimum amounts and, in some years, additional discretionary amounts. In 2021, the Company contributed \$2 million to these pension plans. Pension contributions for the full year of 2022 are estimated to be \$2 million. The Company may elect at any time to make additional voluntary contributions.

Qualified pension benefit payments are paid from the assets held in the plan trust, while nonqualified pension and other benefit payments are paid by the Company. Anticipated benefit payments by year are as follows:

(In millions)	Pension Benefits	Other Benefits
2022	\$ 73	\$ 1
2023	71	1
2024	68	1
2025	65	1
2026	62	1
Next five years	265	3

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PENSION PLAN — UNITED KINGDOM

The Company has a frozen defined benefit pension plan in the United Kingdom.

Obligations and Funded Status

The following table provides a reconciliation of changes in the projected benefit obligation, the fair value of plan assets and the funded status of the plan to amounts recognized on the Company's Consolidated Balance Sheets.

<i>(In millions)</i>	2021	2020
Changes in projected benefit obligation:		
Obligation at beginning of period	\$ 269	\$ 236
Service cost	—	—
Interest cost	4	5
Plan settlements	(7)	—
Benefits paid	(5)	(8)
Actuarial (gain) loss	(1)	26
Currency translation	(3)	10
Obligation at end of period	<u>257</u>	<u>269</u>
Changes in plan assets:		
Fair value of plan assets at beginning of period	360	312
Actual return on plan assets	12	41
Company contributions	2	2
Plan settlements	(7)	—
Benefits paid	(4)	(8)
Currency translation	(5)	13
Fair value of plan assets at end of period	<u>358</u>	<u>360</u>
Net asset recognized at end of period	<u>\$ 101</u>	<u>\$ 91</u>

In the Consolidated Balance Sheets, the net funded amounts are classified as a non-current asset in the caption Other assets.

Components of Net Periodic Benefit

The components of net periodic benefit are presented below:

<i>(In millions)</i>	2021	2020	2019
Service cost	\$ —	\$ —	\$ —
Interest cost	4	5	6
Expected return on plan assets	(6)	(5)	(7)
Settlement gain	(1)	—	—
Net periodic pension benefit	<u>\$ (3)</u>	<u>\$ —</u>	<u>\$ (1)</u>

Included in Accumulated other comprehensive income was deferred income of \$24 million and \$18 million in 2021 and 2020, respectively.

Assumptions

Assumptions used in calculating the funded status and net periodic benefit included:

	2021	2020	2019
Expected long-term rate of return on plan assets	2.03%	1.64%	1.76%
Discount rate	1.80%	1.40%	2.10%
Inflation	3.20%	2.70%	2.90%

The long-term rate of return on assets assumption has been derived based on long-term UK government fixed income yields, having regard to the proportion of assets in each asset class. The funds invested in equities have been assumed to return 4.1% above the return

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on UK government securities of appropriate duration. A return equal to a 15-year AA bond index is assumed for funds invested in corporate bonds. Allowance is made for expenses of 0.17% of assets.

Plan Assets

The allocation of Plan assets is as follows:

	2021	2020
Cash	2 %	1 %
Equity securities	14 %	14 %
Fixed-income securities	84 %	85 %
Total	100 %	100 %

A Trustee committee, comprised of representatives appointed by the Company and of members of this plan, is responsible for establishing and overseeing the implementation of the investment policy for this plan. The plan's investment policy and strategy are to ensure assets are available to meet the obligations to the beneficiaries and to adjust plan contributions accordingly. The plan trustees are also committed to reducing the level of risk in the plan over the long term, while retaining a return above that of the growth of liabilities. Matching investments are intended to provide a return similar to the increase in the plan liabilities. Growth investments are assets intended to provide a return in excess of the increase in liabilities. At December 25, 2021, the asset allocation was in accordance with the target investment strategy. Asset-class allocations within the ranges are continually evaluated based on expectations for future returns, the funded position of the plan and market risks.

The following table presents the pension plan assets by level within the fair value hierarchy.

(In millions)

Asset Category	Total	Fair Value Measurements 2021		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 9	\$ 9	\$ —	\$ —
Equity securities				
Developed market equity funds	13	13	—	—
Emerging market equity funds	4	4	—	—
Mutual funds real estate	2	—	—	2
Mutual funds	30	—	30	—
Total equity securities	49	17	30	2
Fixed-income securities				
UK debt funds	154	—	154	—
Liability term matching debt funds	115	—	115	—
Emerging market debt fund	2	—	2	—
High yield debt	29	—	29	—
Total fixed-income securities	300	—	300	—
Total	\$ 358	\$ 26	\$ 330	\$ 2

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions)

Asset Category	Fair Value Measurements 2020			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 3	\$ 3	\$ —	\$ —
Equity securities				
Developed market equity funds	11	11	—	—
Emerging market equity funds	4	4	—	—
Mutual funds real estate	20	—	—	20
Mutual funds	14	—	14	—
Total equity securities	49	15	14	20
Fixed-income securities				
UK debt funds	140	—	140	—
Liability term matching debt funds	130	—	130	—
Emerging market debt fund	1	—	1	—
High yield debt	37	—	37	—
Total fixed-income securities	308	—	308	—
Total	\$ 360	\$ 18	\$ 322	\$ 20

The following is a reconciliation of the change in fair value of the pension plan assets calculated based on Level 3 inputs:

(In millions)

	Total
Balance at December 26, 2020	\$ 20
Actual return on plan assets	\$ (1)
Net sales	(17)
Balance at December 25, 2021	\$ 2

Cash Flows

Anticipated benefit payments for the UK pension plan, at 2021 year-end exchange rates, are as follows:

(In millions)

	Benefit Payments
2022	\$ 12
2023	13
2024	13
2025	13
2026	14
Next five years	75

RETIREMENT SAVINGS PLANS

The Company also sponsors defined contribution plans for most of its employees. Eligible Company employees may participate in the Office Depot, Inc. Retirement Savings Plans (a plan for U.S. employees and a plan for Puerto Rico employees). All of the Company's defined contribution plans (the "401(k) Plans") allow eligible employees to contribute a percentage of their salary, commissions and bonuses in accordance with plan limitations and provisions of Section 401(k) of the Internal Revenue Code and the Company makes partial matching contributions to each plan subject to the limits of the respective 401(k) Plans. Matching contributions are invested in the same manner as the participants' pre-tax contributions. The 401(k) Plans also allow for a discretionary matching contribution in addition to the normal match contributions if approved by the Board of Directors.

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ODP and OfficeMax previously sponsored non-qualified deferred compensation plans that allowed certain employees, who were limited in the amount they could contribute to their respective 401(k) plans, to defer a portion of their earnings and receive a Company matching amount. Both plans are closed to new contributions.

Compensation expense for the Company's contributions to these retirement savings plans was \$16 million in 2021, \$17 million in 2020 and \$21 million in 2019.

NOTE 15. FAIR VALUE MEASUREMENTS

RECURRING FAIR VALUE MEASUREMENTS

In accordance with GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. The Company's assets and liabilities that are adjusted to fair value on a recurring basis are money market funds that qualify as cash equivalents, and derivative financial instruments, which may be entered into to mitigate risks associated with changes in foreign currency exchange rates, fuel and other commodity prices and interest rates. Amounts associated with derivative instruments were not significant.

NONRECURRING FAIR VALUE MEASUREMENTS

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company records certain assets and liabilities at fair value on a nonrecurring basis as required by GAAP. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges. The Company recognized asset impairment charges of \$20 million, \$182 million and \$56 million in 2021, 2020 and 2019, respectively. Of the asset impairment charges in 2021, \$16 million was related to impairment of operating lease ROU assets associated with the Company's retail store locations, and the remainder was related to impairment of fixed assets. Of the asset impairment charges in 2020, \$115 million was related to the impairment of goodwill in the Contract reporting unit, \$48 million was related to impairment of operating lease ROU assets associated with the Company's retail store locations, \$12 million was related to impairment of fixed assets at these retail store locations, and the remainder related to a cost method investment and write-down of intangible assets that are not currently used. All impairment charges discussed in the sections below are presented in Asset impairments in the Consolidated Statements of Operations.

The Company regularly reviews retail store assets for impairment indicators at the individual store level, as this represents the lowest level of identifiable cash flows. When indicators of impairment are present, a recoverability analysis is performed which considers the estimated undiscounted cash flows over the retail store's remaining life and uses input from retail operations and accounting and finance personnel. These inputs include management's best estimates of retail store-level sales, gross margins, direct expenses, exercise of future lease renewal options when reasonably certain to be exercised, and resulting cash flows that can naturally include judgments about how current initiatives will impact future performance. The assumptions used within the recoverability analysis for the retail stores were updated to consider current quarter retail store operational results and formal plans for future retail store closures as part of the Company's restructuring programs, including the probability of closure at the retail store level. While it is generally understood that closures will approximate the store's lease termination date, it is possible that changes in store performance or other conditions could result in future changes in assumptions utilized. These assumptions reflected declining sales over the forecast period, and gross margin and operating cost assumptions that are consistent with recent actual results and consider plans for future initiatives. The Company also analyzed the impact of the COVID-19 pandemic on store asset recoverability. Due to the nature of products sold, the retail stores were considered to be essential by most local jurisdictions and as a result, the substantial majority of these retail stores have remained open and operational with the appropriate safety measures in place since the beginning of the COVID-19 outbreak, including a curbside pickup option. Since late in the first quarter of 2020, the Company has temporarily reduced retail location hours by one to two hours daily, which continues to be in effect at the majority of its retail locations. The Company's recoverability assessment included evaluating the impact of these developments.

If the undiscounted cash flows of a retail store cannot support the carrying amount of its assets, the assets are impaired if necessary and written down to estimated fair value. The fair value of retail store assets is determined using a discounted cash flow analysis which uses Level 2 unobservable inputs that are corroborated by market data such as independent real estate valuation opinions. Specifically, the analysis uses assumptions of potential rental rates for each retail store location which are based on market data for comparable locations. These estimated cash flows used in the 2021 impairment calculation were discounted at a weighted average discount rate of 8%. For the fourth quarter 2021 calculation, a 100-basis-point decrease in next year sales combined with a 50-basis-point decrease in next year gross margin would have increased the impairment by approximately \$1 million. Further, a 100-basis-point decrease in sales for all future periods would increase the impairment by less than \$1 million.

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company will continue to evaluate initiatives to improve performance and lower operating costs. There is uncertainty regarding the impact of the COVID-19 pandemic on the future results of operations, including the forecast period used in the recoverability analysis. To the extent that forward-looking sales and operating assumptions are not achieved and are subsequently reduced, additional impairment charges may result. However, at the end of 2021, the impairment recognized reflects the Company's best estimate of future performance.

In addition to its retail store assets, the Company also regularly evaluates whether there are impairment indicators associated with its other long-lived assets, which were negatively impacted by the COVID-19 pandemic, as discussed in Note 9. The Company did not identify any impairment indicators for these long-lived assets as of December 25, 2021 and as a result there were no associated impairment charges. Refer to Note 9 for additional information about the impairment charges related to goodwill and other intangible assets.

OTHER FAIR VALUE DISCLOSURES

The fair values of cash and cash equivalents, receivables, trade accounts payable and accrued expenses and other current liabilities approximate their carrying amounts because of their short-term nature.

The following table presents information about financial instruments at the balance sheet dates indicated.

<i>(In millions)</i>	December 25, 2021		December 26, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Company-owned life insurance	137	137	147	147
Financial liabilities:				
Long-term debt:				
New Facilities loans under the Third Amended Credit Agreement, due 2025	100	100	100	100
Revenue bonds, due in varying amounts periodically through 2029	75	76	176	177
American & Foreign Power Company, Inc. 5% debentures, due 2030	15	16	15	14

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- **Company-owned life insurance:** In connection with the 2013 OfficeMax merger, the Company acquired company-owned life insurance policies on certain former employees. The fair value of the company-owned life insurance policies is derived using determinable net cash surrender value, which is the cash surrender value less any outstanding loans (Level 2 measure). As disclosed in Note 10, all outstanding loans associated with company-owned life insurance policies were repaid during the second quarter of 2020. The carrying amounts of the company-owned life insurance policies are included in Other assets in the Consolidated Balance Sheets.
- **Long-term debt:** Long-term debt, for which there were no transactions on the measurement date, was valued based on quoted market prices near the measurement date when available or by discounting the future cash flows of each instrument using rates based on the most recently observable trade or using rates currently offered to the Company for similar debt instruments of comparable maturities (Level 2 measure). The carrying amount of the New Facilities loans under the Third Amended Credit Agreement approximates fair value because the interest rates vary with market interest rates. Refer to Note 10 for additional information about the Third Amended Credit Agreement.

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

The Company has a paper purchase agreement with Boise White Paper, L.L.C. (“Boise Paper”) under which it agreed to purchase office paper from Boise Paper and Boise Paper has agreed to supply office paper to the Company, subject to the terms and conditions of the paper purchase agreement. Under the agreement, the Company has committed to purchase a portion of its paper product offering from Boise Paper. Purchases under the agreement were \$336 million in 2021, \$326 million in 2020 and \$541 million in 2019.

INDEMNIFICATIONS

Indemnification obligations may arise from the Asset Purchase Agreement between OfficeMax Incorporated, OfficeMax Southern Company, Minidoka Paper Company, Forest Products Holdings, L.L.C. and Boise Land & Timber Corp. The Company has agreed to provide indemnification with respect to a variety of obligations. These indemnification obligations are subject, in some cases, to survival periods, deductibles and caps. At December 25, 2021, the Company is not aware of any material liabilities arising from these indemnifications. Additionally, the Company retains certain guarantees in place with respect to the liabilities or obligations of the European Business and remains contingently liable for these obligations. However, the Purchaser must indemnify and hold the Company harmless for any losses in connection with these guarantees. The Company currently does not believe it is probable it would be required to perform under any of these guarantees or any of the underlying obligations.

LEGAL MATTERS

The Company is involved in litigation arising in the normal course of business. While, from time to time, claims are asserted that make demands for a large sum of money (including, from time to time, actions which are asserted to be maintainable as class action suits), the Company does not believe that contingent liabilities related to these matters (including the matters discussed below), either individually or in the aggregate, will materially affect the Company’s financial position, results of operations or cash flows.

In addition, in the ordinary course of business, sales to and transactions with government customers may be subject to lawsuits, investigations, audits and review by governmental authorities and regulatory agencies, with which the Company cooperates. Many of these lawsuits, investigations, audits and reviews are resolved without material impact to the Company. While claims in these matters may at times assert large demands, the Company does not believe that contingent liabilities related to these matters, either individually or in the aggregate, will materially affect its financial position, results of operations or cash flows.

On March 1, 2021, certain IT systems of CompuCom were affected by a malware incident which negatively impacted some services that CompuCom provides to certain of its customers. Certain CompuCom services were not impacted by the malware incident, and CompuCom continued to deliver certain services to those customers throughout March. CompuCom was able to substantially restore delivery capabilities as of March 17, 2021, and had restored its service delivery to substantially all of its customers as of the end of March 2021. As a part of the restoration efforts, CompuCom has taken actions to efficiently and securely restore service delivery to its customers while hardening its systems with enhanced security measures and advanced anti-malware agents. In the third quarter of 2021, the Company provided impacted customers and former and current associates with required notice. As of the fourth quarter 2021, the Company has concluded its analysis of the malware incident. While the Company does not expect further material developments, the Company will evaluate new information, if any, in the event any new information arises and will record an estimate for losses when it is both probable and reasonably estimable. Further, the Company may become subject to regulatory enforcement actions and litigation that could result in financial judgments or the payment of settlement amounts and disputes with insurance carriers concerning coverage.

In connection with the down time CompuCom experienced due to temporarily suspending certain services to certain customers, CompuCom had loss of service revenue of \$6 million in 2021, which is within the Company’s previously disclosed estimate for total loss of service revenue due to the malware incident of between \$5 million and \$8 million. In addition, the Company expects to incur expenses of up to \$15 million, of which the Company incurred \$13 million in 2021. These expense estimates are primarily related to CompuCom’s efforts to restore service delivery to impacted customers, costs to investigate and remediate the incident, increased expenditures for cyber protection, legal and other professional services related thereto, and to address certain other matters resulting from the incident. The Company carries insurance, including cyber insurance, which it believes to be commensurate with the Company’s size and the nature of its operations and expects that a portion of these costs may be covered by insurance. The financial impact of the malware incident, as described above, is reflected within discontinued operations. On December 31, 2021, the Company sold CompuCom to an affiliate of Variant Equity. The purchase agreement includes standard indemnification provisions including for any third-party claims in connection with the malware incident which are not to exceed \$10 million.

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In addition to the foregoing, OfficeMax is named a defendant in a number of lawsuits, claims, and proceedings arising out of the operation of certain paper and forest products assets prior to those assets being sold in 2004, for which OfficeMax agreed to retain responsibility. Also, as part of that sale, OfficeMax agreed to retain responsibility for all pending or threatened proceedings and future proceedings alleging asbestos-related injuries arising out of the operation of the paper and forest products assets prior to the closing of the sale. The Company has made provision for losses with respect to the pending proceedings. Additionally, as of December 25, 2021, the Company has made provision for environmental liabilities with respect to certain sites where hazardous substances or other contaminants are or may be located. For these liabilities, the Company's estimated range of reasonably possible losses was approximately \$15 million to \$25 million. The Company regularly monitors its estimated exposure to these liabilities. As additional information becomes known, these estimates may change, however, the Company does not believe any of these OfficeMax retained proceedings are material to the Company's financial position, results of operations or cash flows.

NOTE 17. DISCONTINUED OPERATIONS

In January 2021, the Company's Board of Directors announced that as a result of a business review of CompuCom, management had initiated a process to explore a value-maximizing sale of the Company's former CompuCom Division. On June 29, 2021, the Company's Board of Directors aligned with management's commitment to a plan to sell CompuCom through a single disposal group. Although management did not bring forth a specific transaction to the Board of Directors at the time, the Company was actively marketing CompuCom for sale at a price that the Company believed was reasonable in relation to CompuCom's current fair value. CompuCom was available for immediate sale in its present condition and any sale was expected to be subject to customary regulatory approvals. Based on these considerations, and management's experience and ability to complete similar transactions in the past, management believed the sale was probable and expected to complete it within one year from June 29, 2021. Accordingly, management concluded that the CompuCom disposal group had met the accounting criteria to be classified as held for sale as of June 29, 2021 and is presented as such in the Consolidated Balance Sheets as of December 25, 2021 and December 26, 2020. The planned disposition of CompuCom represented a strategic shift that will have a major impact on the Company's operations and financial results. Accordingly, the Company also presented the operating results and cash flows of its CompuCom Division as discontinued operations for all periods presented.

The sale of CompuCom was completed on December 31, 2021, and the transaction was structured and will be accounted for as an equity sale. The related Securities Purchase Agreement ("SPA") provides for consideration consisting of a cash purchase price equal to \$125 million (subject to customary adjustments, including for cash, debt and working capital), an interest-bearing promissory note in the amount of \$55 million, and a holding fee ("earn-out") provision providing for payments of up to \$125 million in certain circumstances. The promissory note accrues interest at six percent per annum, payable on a quarterly basis in cash or in-kind, and is due in full on June 30, 2027. Under the earn-out provision, if the purchaser receives dividends or sale proceeds from the CompuCom business equal to (i) three (3) times its initial capital investment in the CompuCom business plus (ii) 15% per annum on subsequent capital investments, the Company will be entitled to 50% of any subsequent dividends or sale proceeds up to and until the Company has received an aggregate of \$125 million. The Company also agreed to provide certain transitional services to the purchaser for a period of three to twelve months under a separate agreement after closing. The SPA contains customary warranties of the Company and the purchaser.

The loss from classification to held for sale related to CompuCom as of December 25, 2021 was measured at the lower of its carrying amount or estimated fair value less costs to sell and is included in the valuation allowance of the current assets held for sale. The estimated fair value of CompuCom was based on the terms of the SPA, and amounted to \$190 million, which included \$126 million for cash purchase price after adjusting for cash, debt and working capital, \$55 million for the promissory note, and \$9 million for the earn-out. The earn-out provision was identified to be a derivative in accordance with ASC 815, and its fair value was determined using Monte Carlo simulation. The resulting loss from classification to held for sale was \$170 million in 2021.

Merger and restructuring expenses incurred by the former CompuCom Division, that were previously presented as Corporate expenses, are included in the measurement and presentation of discontinued operations in all periods presented.

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table represents a reconciliation of the major components of Discontinued operations, net of tax presented in the Consolidated Statements of Operations.

<i>(In millions)</i>	2021	2020	2019
Major components of discontinued operations before income taxes:			
Sales	\$ 802	\$ 838	\$ 980
Cost of goods and occupancy costs	645	657	771
Gross profit	157	181	209
Selling, general and administrative expenses	152	171	212
Asset impairments	252	248	—
Merger, restructuring and other operating expenses, net	(2)	20	30
Operating loss	(245)	(258)	(33)
Other income (expense), net	(1)	1	—
Loss from major components of discontinued operations before income taxes	(246)	(257)	(33)
Loss from classification to held for sale	(170)	—	—
Loss from discontinued operations before income taxes	(416)	(257)	(33)
Income tax benefit	(21)	(1)	(5)
Discontinued operations, net of tax	<u>\$ (395)</u>	<u>\$ (256)</u>	<u>\$ (28)</u>

The following table represents the major classes of assets and liabilities of the disposal group classified as held for sale presented in the Consolidated Balance Sheets as of December 25, 2021 and December 26, 2020.

<i>(In millions)</i>	December 25, 2021	December 26, 2020
Major classes of assets included in discontinued operations:		
Cash and cash equivalents	\$ 23	\$ —
Receivables, net	221	189
Inventories	20	14
Prepaid expenses and other current assets	15	16
Total current assets		219
Property and equipment, net	25	26
Operating lease right-of-use assets	66	62
Goodwill	—	214
Other intangible assets, net	255	301
Other assets	14	19
Total noncurrent assets		622
Less: valuation allowance	(170)	
Total assets of the disposal group classified as held for sale	<u>\$ 469</u>	<u>\$ 841</u>
Major classes of liabilities included in discontinued operations:		
Trade accounts payable	\$ 83	\$ 62
Accrued expenses and other current liabilities	86	90
Total current liabilities		152
Deferred income taxes and other long-term liabilities	75	82
Operating lease liabilities	46	56
Total noncurrent liabilities		138
Total liabilities of the disposal group classified as held for sale	<u>\$ 290</u>	<u>\$ 290</u>

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 18. QUARTERLY FINANCIAL DATA (UNAUDITED)

(In millions, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year Ended December 25, 2021*				
Net sales	\$ 2,174	\$ 2,070	\$ 2,179	\$ 2,042
Gross profit	495	432	504	432
Operating income (1)	69	30	104	31
Net income from continuing operations	63	20	73	32
Discontinued operations, net of tax	(10)	(108)	28	(306)
Net income (loss)	53	(88)	101	(274)
Basic earnings (loss) per share (2)				
Continuing operations	\$ 1.17	\$ 0.36	\$ 1.38	\$ 0.63
Discontinued operations	(0.18)	(1.98)	0.54	(6.07)
Net basic earnings (loss) per share	\$ 0.99	\$ (1.62)	\$ 1.92	\$ (5.44)
Diluted earnings (loss) per share (2)				
Continuing operations	\$ 1.12	\$ 0.35	\$ 1.33	\$ 0.61
Discontinued operations	(0.17)	(1.93)	0.52	(5.87)
Net diluted earnings (loss) per share	\$ 0.95	\$ (1.58)	\$ 1.85	\$ (5.26)

* Due to rounding, the sum of the quarterly amounts may not equal the reported amounts for the year.

(1) Includes Merger, restructuring and other operating expenses, net totaling \$13 million, \$11 million, \$13 million and \$14 million in the first, second, third and fourth quarters of 2021, respectively. The first, second, third and fourth quarters of 2021 also include asset impairments of \$12 million, \$1 million, \$5 million and \$2 million, respectively.

(2)

THE ODP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The sum of the quarterly earnings (loss) per share does not equal the annual earnings (loss) per share due to differences in quarterly and annual weighted-average shares outstanding.

<i>(In millions, except per share amounts)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year Ended December 26, 2020*				
Net sales	\$ 2,493	\$ 1,947	\$ 2,347	\$ 2,085
Gross profit	582	372	547	451
Operating income (loss) ⁽³⁾	83	(198)	102	20
Net income (loss) from continuing operations	48	(176)	34	31
Discontinued operations, net of tax	(3)	(263)	23	(13)
Net income (loss)	45	(439)	57	18
Basic earnings (loss) per share ⁽⁴⁾				
Continuing operations	\$ 0.90	\$ (3.34)	\$ 0.64	\$ 0.59
Discontinued operations	(0.04)	(5.00)	0.43	(0.24)
Net basic earnings (loss) per share	\$ 0.86	\$ (8.34)	\$ 1.07	\$ 0.35
Diluted earnings (loss) per share ⁽⁴⁾				
Continuing operations	\$ 0.88	\$ (3.34)	\$ 0.63	\$ 0.57
Discontinued operations	(0.04)	(5.00)	0.41	(0.23)
Net diluted earnings (loss) per share	\$ 0.84	\$ (8.34)	\$ 1.04	\$ 0.34

* Due to rounding, the sum of the quarterly amounts may not equal the reported amounts for the year.

⁽³⁾ Includes Merger, restructuring and other operating expenses, net totaling \$12 million, \$53 million, \$24 million and \$13 million in the first, second, third and fourth quarters of 2020, respectively. The first, second, third and fourth quarters of 2020 also include asset impairments of \$12 million, \$153 million, \$10 million and \$8 million, respectively.

⁽⁴⁾ The sum of the quarterly earnings (loss) per share does not equal the annual earnings (loss) per share due to differences in quarterly and annual weighted-average shares outstanding. As disclosed in Note 1, a 1-for-10 reverse stock split of the Company's outstanding shares of common stock and a reduction in the number of authorized shares of the Company's common stock by a corresponding ratio became effective on June 30, 2020. All per share amounts have been retroactively adjusted for the prior periods presented to give effect to this reverse stock split.

NOTE 19. SUBSEQUENT EVENTS

On December 31, 2021, the Company completed the sale of its CompuCom Division. Refer to Note 17 for further information.

In December 2021, the Company received a non-binding proposal from a third party other than USR Parent, Inc. to acquire the Company's consumer business. The terms of that proposal are confidential. The Company's Board of Directors is carefully reviewing this proposal as well as the proposal from USR Parent, Inc., with the assistance of its financial and legal advisors to determine the course of action that it believes is in the best interests of the Company and its shareholders. As a result, in January 2022, the Company has determined to delay further work on the Separation. See Note 1 for further information on the Separation.

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(a) Refer to Part IV — Item 15 of this Annual Report.

**DESCRIPTION OF REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

The ODP Corporation (“ODP,” “we,” “our,” or “us”) has two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our common stock, par value \$0.01 per share (our “Common Stock”), and our preferred share purchase rights (our “Preferred Rights”).

The following description of our Common Stock is based upon our [Amended and Restated Certificate of Incorporation](#) (our “Charter”), our [Amended and Restated Bylaws](#) (our “Bylaws”), our [Certificate of Designations of Series A Junior Participating Preferred Stock](#) (our “Certificate of Designations”), and applicable provisions of the Delaware General Corporation Law (the “DGCL”). The description does not purport to be complete and is subject to, and qualified in its entirety by express reference to, our Charter, our Bylaws, and our Certificate of Designations, each of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this exhibit is a part, and to the applicable provisions of the DGCL. We encourage you to read our Charter, our Bylaws, our Certificate of Designations and the applicable provisions of the DGCL for additional information.

Under our Charter, our authorized capital stock consists of 80,000,000 shares of Common Stock, and 1,000,000 shares of Preferred Stock, par value \$0.01 per share (our “Preferred Stock”). The outstanding shares of our Common Stock are duly authorized, validly issued, fully paid and nonassessable.

DESCRIPTION OF COMMON STOCK

Listing

Our Common Stock is listed and principally traded on the Nasdaq Global Select Market under the ticker symbol “ODP.”

Voting Rights

Each holder of our Common Stock is entitled to one vote for each share held by such holder on all matters voted upon by our stockholders.

Dividend Rights

The holders of our Common Stock are entitled to receive dividends when, as, and if declared by our board of directors out of funds legally available therefor, subject to the rights of any then outstanding shares of Preferred Stock.

Liquidation Rights

Subject to the rights of any then outstanding shares of Preferred Stock, in the event of a liquidation, dissolution or winding up of ODP, the holders of our Common Stock will be entitled to receive, after payment or provision for payment of all of its debts and liabilities, all of the assets of ODP legally available for distribution to stockholders.

Special Meeting of Stockholders

Our Bylaws vest the power to call special meetings of stockholders in the Chief Executive Officer, board of directors, or stockholders holding shares representing not less than 25% of our outstanding Common Stock entitled to vote on the matter or matters to be brought before the meeting. Stockholders are permitted under the Bylaws to act by written consent in lieu of a meeting.

Preemptive and Other Rights

Holders of our Common Stock are not entitled to preemptive rights with respect to any shares which may be issued, and there are no conversion rights or redemption, purchase, retirement or sinking fund provisions with respect to our Common Stock.

Transfer Agent and Registrar

The transfer agent and registrar for our Common Stock is Computershare Shareowner Services LLC.

Series A Junior Participating Preferred Stock

Of our 1,000,000 shares of authorized Preferred Stock, our board of directors has designated 80,000 shares as “Series A Junior Participating Preferred Shares”.

Dividends. Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of Preferred Shares, in preference to the holders of our Common Stock and of any other junior stock, shall be entitled to receive, when, as and if declared by our board of directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date, a “Quarterly Dividend Payment Date”), commencing on the first Quarterly Dividend Payment Date after the first issuance of a Preferred Share or fraction of a Preferred Share, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1.00 or (b) subject to the provision for adjustment discussed below, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of our Common Stock or a subdivision of the outstanding shares of our Common Stock (by reclassification or otherwise), declared on our Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any Preferred Share or fraction of a Preferred Share. In the event ODP shall at any time declare or pay any dividend on our Common Stock payable in shares of our Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of our Common Stock (by reclassification or otherwise than by payment of a dividend in shares of our Common Stock) into a greater or lesser number of shares of our Common Stock, then in each such case the amount to which holders of Preferred Shares were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of our Common Stock outstanding immediately after such event and the denominator of which is the number of shares of our Common Stock that were outstanding immediately prior to such event.

ODP shall declare a dividend or distribution on the Series A Preferred Stock as discussed in the above paragraph immediately after it declares a dividend or distribution on our Common Stock (other than a dividend payable in shares of our Common Stock); provided that, in the event no dividend or distribution shall have been declared on our Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1.00 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

Dividends shall begin to accrue and be cumulative on outstanding Preferred Shares from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, subject to certain exceptions. Accrued but unpaid dividends shall not bear interest.

Dividends paid on the Preferred Shares in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. Our board of directors may fix a record date for the determination of holders of Preferred Shares entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Voting Rights. The holders of Preferred Shares shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each Preferred Share shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of our stockholders. In the event ODP shall at any time declare or pay any dividend on our Common Stock payable in shares of our Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of our Common Stock (by reclassification or otherwise than by payment of a dividend in shares of our Common Stock) into a greater or lesser number of shares of our Common Stock, then in each such case the number of votes per share to which holders of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of our Common Stock outstanding immediately after such event and the denominator of which is the number of shares of our Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of Preferred Shares and the holders of shares of our Common Stock and any other capital stock of ODP having general voting rights shall vote together as one class on all matters submitted to a vote of our stockholders.

(C) Except as set forth in the Certificate of Designations, or as otherwise provided by law, holders of Preferred Shares shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of our Common Stock as set forth herein) for taking any corporate action.

Certain Restrictions. Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on Preferred Shares outstanding shall have been paid in full, ODP shall not: (i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock; (ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; (iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that ODP may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of ODP ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or (iv) redeem or purchase or otherwise acquire for consideration any Preferred Shares, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by our board of directors) to all holders of such shares upon such terms as our board of directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine will result in fair and equitable treatment among the respective series or classes.

ODP shall not permit any of its subsidiaries to purchase or otherwise acquire for consideration any shares of stock of ODP unless ODP could, under the terms of the Certificate of Designations, purchase or otherwise acquire such shares at such time and in such manner.

Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of ODP, no distribution shall be made (A) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of Preferred Shares shall have received the greater of (a) \$1.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, or (b) an aggregate amount per share, subject to the provision for adjustment described below, equal to 1,000 times the aggregate amount to be distributed per share to holders of shares of our Common Stock, or (B) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event ODP shall at any time declare or pay any dividend on our Common Stock payable in shares of our Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of our Common Stock (by reclassification or otherwise than by payment of a dividend in shares of our Common Stock) into a greater or lesser number of shares of our Common Stock, then in each such case the aggregate amount to which holders of Preferred Shares were entitled immediately prior to such event under the proviso in clause (A) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of our Common Stock outstanding immediately after such event and the denominator of which is the number of shares of our Common Stock that were outstanding immediately prior to such event.

Consolidation, Merger, etc. In case ODP shall enter into any consolidation, merger, combination or other transaction in which the shares of our Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property (other than any merger of ODP with and into a direct or indirect subsidiary of ODP pursuant to which ODP becomes a direct or indirect wholly-owned subsidiary of a holding company that is, immediately prior to the effective time of such merger, a direct or indirect subsidiary of ODP, in accordance with Section 251(g) of the DGCL), then in any such case each Preferred Share shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of our Common Stock is changed or exchanged. In the event ODP shall at any time declare or pay any dividend on our Common Stock payable in shares of our Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of our Common Stock (by reclassification or otherwise than by payment of a dividend in shares of our Common Stock) into a greater or lesser number of shares of our Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of Preferred Shares shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of our Common Stock outstanding immediately after such event and the denominator of which is the number of shares of our Common Stock that were outstanding immediately prior to such event.

No Redemption. The Preferred Shares shall not be redeemable.

Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of ODP's Preferred Stock.

CERTAIN ANTI-TAKEOVER EFFECTS

Certain provisions of our Charter, our Bylaws and the DGCL could have certain anti-takeover effects and may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interests, as discussed below:

Authorized but Unissued Shares. Subject to the requirements of The NASDAQ Stock Market LLC and other applicable law, authorized but unissued shares of our Common Stock may be available for future issuance without stockholder approval. We may use these additional shares for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued

shares of our Common Stock could render more difficult or discourage an attempt to obtain control of us by means of a tender offer, takeover attempt or otherwise.

Undesignated Preferred Stock. Our Charter provides that our board of directors may issue shares of Preferred Stock and fix the designations, voting powers, preferences and rights related to that Preferred Stock. Preferred Stock could be issued by our board of directors to increase the number of outstanding shares making a takeover more difficult and expensive.

Advance Notice Requirements. Our Bylaws establish an advance notice procedure for stockholders seeking to nominate candidates for election to the board of directors or for proposing matters which can be acted upon at stockholders' meetings.

Proxy Access. Our Bylaws contain provisions which provide that a stockholder, or group of up to 20 stockholders, that has owned continuously for at least three years shares of our Common Stock representing an aggregate of at least 3% of the voting power entitled to vote generally in the election of directors, may nominate and include in ODP's proxy materials a specified number of director nominees, provided that the stockholder(s) and nominee(s) satisfy the requirements in our Bylaws. The maximum number of stockholder nominees is generally the greater of (x) two or (y) 20% of the total number of our directors in office as of the last day on which notice of a nomination may be delivered or, if such amount is not a whole number, the closest whole number below 20%.

No Cumulative Voting or Classified Board. Our Charter and Bylaws do not provide for cumulative voting on the election of directors and we currently do not have a classified board.

Delaware Business Combination Statute. In general, Section 203 of the DGCL ("Section 203") prohibits a publicly held Delaware corporation from engaging in various "business combination" transactions with any interested stockholder for a period of three years following the date of the transactions in which the person became an interested stockholder. We are not subject to Section 203, as our Charter contains a provision electing to "opt-out" of Section 203.

**AMENDMENT TO
OFFICE DEPOT, INC. EXECUTIVE CHANGE IN CONTROL SEVERANCE PLAN**

WHEREAS, Office Depot, Inc. previously adopted the Office Depot, Inc. Executive Change in Control Severance Plan, as initially effective August 1, 2014, and amended from time to time thereafter (the “Plan”);

WHEREAS, pursuant to the Agreement and Plan of Merger dated as of June 30, 2020 (the “Merger Agreement”) by and among Office Depot, Inc., a Delaware corporation (“ODI”), Office Depot, LLC, a Delaware limited liability company (the “LLC”), The ODP Corporation (the “Company”), and ODP Investment, LLC, a Delaware limited liability company, ODI created a new holding company structure pursuant to Sections 251(g) and 264 of the General Corporation Law of the State of Delaware and Section 18-209 of the Delaware Limited Liability Company Act by merging with and into the LLC (the “Merger”), with the LLC continuing as the surviving entity of such Merger as an indirect, wholly owned subsidiary of the Company;

WHEREAS, in connection with the Merger, the Board of Directors of the Company and the Board of Managers of the LLC approved the Assignment and Assumption Agreement dated as of June 30 2020 (the “Assignment Agreement”), pursuant to which the LLC assigned sponsorship of the Plan to the Company and the Company assumed sponsorship of the Plan from the LLC, effective as of the Merger Effective Time (within the meaning of the Merger Agreement);

WHEREAS, pursuant to the Assignment Agreement, the Plan was automatically amended as necessary to provide that references to ODI in the Plan shall be read to refer to the Company;

WHEREAS, pursuant to authorization of the Board of Directors of the Company, the undersigned desires to amend the Plan on behalf of the Company to reflect the transfer to and assumption by the Company of sponsorship of the Plan;

NOW, THEREFORE, the Plan is hereby amended as follows, effective as of June 30, 2020:

- 1) The name of the Plan on the cover page is deleted in its entirety and the following is inserted in lieu thereof:
“THE ODP CORPORATION EXECUTIVE CHANGE IN CONTROL PLAN”
 - 2) Section 2.11 of the Plan is deleted in its entirety and the following is inserted in lieu thereof:
“2.11 ‘Corporation’ means The ODP Corporation, a Delaware corporation, or its successor or assignee (or both, or more than one of each or both).”
 - 3) Section 2.27 of the Plan is deleted in its entirety and the following is inserted in lieu thereof:
-

[Type here]

“2.27 ‘Plan’ means The ODP Corporation Executive Change in Control Severance Plan, as it may be amended from time to time, or any successor plan, program or arrangement thereto.”

4) In all respects not above amended, the Plan is hereby ratified and confirmed.

* * * * *

IN WITNESS WHEREOF, The ODP Corporation has caused this amendment to the Plan to be executed on its behalf by its duly authorized officer this ____ day of August, 2020.

THE ODP CORPORATION

By: /s/ N. DAVID BLEISCH

Name: N. David Bleisch

Title: Chief Legal & Administrative Officer and Corporate Secretary

SECURITIES PURCHASE AGREEMENT

BY AND AMONG

LINCOLN MERGER SUB TWO LLC,

COMPUCOM SUPER HOLDINGS LLC,

solely with respect to Section 9.11, THE ODP CORPORATION

AND

PROJECT HERITAGE ACQUISITION, LLC

Dated as of December 31, 2021

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SECURITIES PURCHASE AGREEMENT

This SECURITIES PURCHASE AGREEMENT, dated as of December 31, 2021 (this "Agreement"), is by and between Lincoln Merger Sub Two LLC, a Delaware limited liability company ("Seller"), CompuCom Super Holdings LLC, a Delaware limited liability company (the "Company"), Project Heritage Acquisition, LLC, a Delaware limited liability company ("Purchaser"), and solely with respect to Section 9.11 hereof, The ODP Corporation, a Delaware corporation ("Parent").

WHEREAS, Seller is the sole member of all of the issued and outstanding limited liability company interests (collectively, the "Equity Interests") of the Company;

WHEREAS, on the terms and subject to the conditions set forth herein, Seller shall sell, assign, transfer and convey to Purchaser, and Purchaser shall purchase and acquire from Seller, all of Seller's right, title and interest in and to the Equity Interests (the "Transaction");

WHEREAS, on the terms and subject to the conditions set forth herein, Parent is a party to this Agreement solely for purposes of Section 9.11 hereof to guaranty certain obligations of Seller in connection with this Agreement.

WHEREAS, concurrently with the execution and delivery of this Agreement, and as a condition to the willingness of Seller to enter into this Agreement, Variant Equity II, LP a Delaware limited partnership ("Guarantor"), is entering into a limited guaranty in favor of Seller (the "Guaranty") pursuant to which Guarantor is guarantying certain obligations of Purchaser in connection with this Agreement; and

WHEREAS, simultaneously with the Closing under this Agreement, Seller, Purchaser and certain of their respective Affiliates desire to enter into certain other agreements in connection with the transactions contemplated hereby.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, on the terms and subject to the conditions of this Agreement, the parties hereto hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1. Definitions

. As used herein, the following terms have the meanings set forth below:

"Action" means any Proceeding, audit, review, inquiry, examination, or investigation.

"Adjustment Amount" means (a) the Closing Working Capital *minus* (b) the Target Working Capital (which resulting amount may be a positive or negative number).

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person means 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, by Contract or otherwise. For purposes of this

Agreement, neither Seller nor any of its Affiliates shall be deemed an Affiliate of Purchaser, nor, as of and after Closing, of the Company Group.

“Approval” means the approval, authorization or consent of, filing with, notification to, or granting or issuance of any license, order, waiver or permit by, any third party or Governmental Entity.

“Benefit Plan” means any “employee benefit plan” within the meaning of Section 3(3) of ERISA (whether or not subject to ERISA) and any employment, retention, profit-sharing, bonus, stock option, stock purchase, restricted stock and other equity or equity-based, incentive, deferred compensation, severance, redundancy, termination, retirement, pension, change in control, health, welfare, fringe benefit, collective bargaining or other benefit plan, program, policy, agreement or arrangement, including any Seller Benefit Plan, Company Group Benefit Plan and Foreign Plan.

“Books and Records” means all books, records (including Tax records), lists, reports, files, work papers, work product, correspondence, manuals, sales, marketing and promotional information, literature and studies, and other materials, documents and data in any form or medium (whether in hard copy or computer, digital, mobile or other electronic format).

“Business” means the business of the Company Group as conducted on the date hereof.

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

“Business Employee” means any employee of Seller or its Affiliates who is employed by a Group Company immediately prior to the date hereof and any other employee of Seller or any of its Affiliates set forth on Section 1.1(a)(ii) of the Seller Disclosure Schedules under the title “Other Employees”, subject in each case to, and updated by, new hirings, terminations of employment and other changes in employment status, in each case in the ordinary course of business of the Company Group and permitted by the terms of this Agreement, between the date of this Agreement and the Closing and, in the case of the Other Employees, with the prior consent of the Purchaser, such consent not to be unreasonably withheld, conditioned or delayed.

“CARES Act” means the Coronavirus Aid, Relief, and Economic Security Act, as may be amended or modified.

“Cash Amounts” means, of any Person and as of any time, all cash and cash equivalents, held by a bank and in other depository accounts and safe deposit boxes, demand accounts, certificates of deposit, time deposits, negotiable instruments or securities and brokerage accounts, in each case of such Person as of such time, calculated in a manner consistent with the Transaction Accounting Principles; provided, that “Cash Amounts” shall, without duplication, (i) be net of the total amount of outstanding checks and drafts issued but not yet debited against the applicable amount and the Cash Sweep Withholding Amount, and (ii) include the total amount of outstanding checks and drafts issued for the benefit of such Person but not yet cleared and deposits in transit.

“Cash Sweep Withholding Amount” means, with respect to any Group Company, all amounts required to be withheld under any applicable Laws in connection with the transfer of cash pursuant to Section 5.21, including any withholding Tax.

“Cause” means, with respect to a Transferred Business Employee, any of the following: (a) a breach by such Transferred Business Employee of the provisions of any employment agreement, noncompetition agreement, confidentiality agreement or other Contract with Purchaser or any applicable Affiliate of

Purchaser, or of Purchaser's or any such Affiliate's code of ethics or other policy, as then in effect, that, if capable of being cured, and is not cured by such Transferred Business Employee within ten (10) days following receipt of notice of such breach; (b) conduct by such Transferred Business Employee rising to the level of gross negligence or willful misconduct in the course of employment with Purchaser or an applicable Affiliate of Purchaser; (c) an act or omission by such Transferred Business Employee that results in his or her being convicted of or pleading guilty or *nolo contendere* to a criminal offense that involves moral turpitude or constitutes a felony; or (d) a breach of any fiduciary duty to Purchaser or an applicable Affiliate of Purchaser.

“Closing Cash Amounts” means an amount equal to the Cash Amounts of the Company Group as of 11:59 p.m. Eastern Time on the date immediately before the Closing Date; provided, however that in no event shall Closing Cash Amounts to be used for the purposes of the calculation of the Final Purchase Price exceed \$2,500,000 in each of CompuCom — CSI Systems India Private Limited and CCSI – CompuCom GSC Mexico, S. de R.L. de C.V., and zero in each of the other Group Companies, and Closing Cash Amounts in excess of that amount shall be the “Excess Cash” for purposes of calculating the Final Purchase Price.

“Closing Company Transaction Expenses” means an amount equal to the Company Transaction Expenses measured as of immediately prior to the Closing but, to the extent applicable (including with respect to expenses contemplated in clause (II) of “Company Transaction Expenses”), giving effect to the Closing.

“Closing Funded Debt” means an amount equal to the Funded Debt of the Company Group as of immediately prior to the Closing.

“Closing Purchase Price” means (a) the Base Purchase Price, *plus* (b) the Estimated Closing Cash Amounts, *plus* (c) the Estimated Adjustment Amount (which may be a positive or negative number), *minus* (d) the Estimated Closing Funded Debt, *minus* (e) the Estimated Closing Company Transaction Expenses.

“Closing Working Capital” means the Working Capital as of 11:59 p.m. Eastern Time on the date immediately before the Closing Date.

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

“Company Group” means the Company and all of the Company Subsidiaries.

“Company Group Benefit Plan” means each Benefit Plan that is established, sponsored or maintained by any Group Company or with respect to which any Group Company has any liability, in any case, for the benefit of any current or former Business Employee, other than any Multiemployer Plan and other than a plan, policy, program or arrangement which is maintained by a Governmental Entity to which any Group Company contributes pursuant to applicable Law.

“Company Group Employee” means any employee of Seller or its Affiliates who is employed by a Group Company immediately prior to the Closing.

“Company Material Adverse Effect” means any event, change, development, occurrence or effect that is, or would reasonably be expected to be, individually or in the aggregate, materially adverse to the business, financial condition, or results of operations of the Company Group, taken as a whole; provided, however, that none of the following will be deemed in themselves, either alone or in combination, to constitute or contribute to, and that none of the following will be taken into account in determining whether there has been or would reasonably be expected to be, a Company Material Adverse Effect: (a) the general

conditions in the industries in which the Business operates; (b) general political, economic, business, monetary, financial or capital or credit market conditions or trends (including interest rates or exchange rates); (c) any condition or change generally affecting the global economy, financial markets or political, economic or regulatory conditions in any geographic region in which the Business operates; (d) any act of civil unrest, war, sabotage or terrorism (including by cyberattack or otherwise), including an outbreak or escalation of hostilities involving the United States or any other country or the declaration by the United States or any other country of a national emergency or war, or any material worsening of such conditions threatened or existing as of the date of this Agreement; (e) any conditions resulting from natural disasters or weather developments, including pandemics declared as such by the World Health Organization (including COVID-19), earthquakes, hurricanes, tsunamis, typhoons, lightning, hail storms, blizzards, tornadoes, droughts, floods, cyclones, arctic frosts, mudslides and wildfires, manmade disasters or acts of God; (f) changes in any applicable Law or GAAP or other applicable accounting principles or standard or any interpretations thereof after the date hereof; (g) the failure of the financial or operating performance of Seller or any of its Affiliates (including any Group Company) or the Business to meet any published or internally prepared internal, Purchaser or analyst projections, forecasts or budgets for any period (provided, that this clause (g) shall not be construed as implying that Seller is making any representation or warranty herein with respect to any internal, Purchaser or analyst projections, forecasts or budgets and no such representations or warranties are being made other than to the extent expressly made in Article III hereof; provided, further, that any underlying event, change, development, occurrence or effect that caused such failure to meet such projections, forecasts or estimates shall not be excluded by virtue of this clause (g) except to the extent such event, change, development, occurrence or effect would be excluded by operation of another clause of this definition); (h) the execution, announcement, pendency or consummation of the Transaction, or the identity of Purchaser, including any litigation or any loss or threatened loss of, or disruption or threatened disruption in, the relationship of the Company and the Company Subsidiaries with respect to their respective customers, employees, labor unions, financing sources, suppliers, strategic partners or similar relationships, in each case, solely resulting from the execution, announcement or pendency of the transactions contemplated hereby (provided, that this clause (h) shall not apply to any of the representations or warranties contained in Section 3.4 of this Agreement to the extent that it purports to address the effect of this Agreement or the transactions contemplated hereby (or any condition to Closing as it relates to such representations or warranties)); (i) the effect of Seller's compliance with the express terms of this Agreement that require action or inaction of the Seller, or actions taken at Purchaser's express written request, including the covenants and agreements contained in this Agreement; provided, however, that the events, changes, developments, occurrences or effects in clauses (a) through (f) may be taken into account for purposes of determining whether there has been or will be, a Company Material Adverse Effect to the extent, and only to the extent, they have a materially disproportionate effect on the Company Group, taken as a whole, compared to other Persons operating in the industry or geographic regions in which the Company Group primarily operates.

"Company Owned Intellectual Property" means any and all Intellectual Property Rights owned or purported to be owned by the Company Group.

"Company Transaction Expenses" means, all fees, costs, charges, expenses and obligations that are incurred, payable or subject to reimbursement by the Company Group in connection with or relating to the preparation, negotiation and execution of this Agreement and the Transaction Documents or the consummation of the Transaction, whether accrued for or not, including fees, commissions, expenses and disbursements of counsel, accountants, bankers, brokers, financial advisors, consultants and other advisors and service providers. For the avoidance of doubt, Company Transaction Expenses shall (I) exclude all fees, costs, charges, expenses and obligations that (i) are incurred, payable or actually reimbursed by Parent or its Affiliates other than the Company Group, (ii) are incurred, payable or subject to reimbursement by Purchaser or any of its respective Affiliates other than the Company Group (including in connection with the Debt Financing), (iii) are out-of-pocket and are reasonably incurred by the Company Group in

connection with the Debt Financing pursuant to Section 5.19 or (iv) are accrued in the Closing Working Capital, and (II) include all “single trigger” severance obligations, retention bonuses, “stay” bonuses, change in control bonuses, sale bonuses and other similar compensatory amounts (or acceleration thereof) that are or become payable by the Company Group solely as a result of the consummation of the transactions contemplated by this Agreement (including the employer portion of any employment, payroll, social security, unemployment or other withholding Taxes related to all such amounts).

“Contract” means any written contract, lease, license, commitment, customer order, loan or credit agreement, indenture or agreement, other than a Permit.

“Covered Losses” means, subject to Section 9.7, losses, Liabilities (excluding contingent liabilities), claims, fines, deficiencies, damages, payments (including those arising out of any settlement or Judgment relating to any Action), penalties, expenses and reasonable attorneys’ and accountants’ fees and disbursements, in each case that are due and payable.

“COVID-19” means SARS-CoV-2 or COVID-19, and any evolutions or mutations thereof and any epidemics, pandemic or outbreaks thereof.

“COVID-19 Measures” means any quarantine, “shelter in place,” “stay at home,” workforce reduction, social distancing, shut down, closure, sequester, safety or similar Laws, guidelines or recommendations promulgated by any Governmental Entity, including the Centers for Disease Control and Prevention and the World Health Organization, in each case, in connection with or in response to COVID-19, including the CARES Act and Families First Coronavirus Response Act.

“Debt Financing Sources Related Party” means the Debt Financing Sources and the commitment parties that are parties to any Alternative Financing Commitment Letter, together with their respective Affiliates, and the respective officers, directors, employees, agents, advisors, controlling persons and the other representatives and successors of each of the foregoing.

“Environmental Laws” shall mean Laws regarding pollution, protection of the environment and natural resources, or protection of human health (from exposure to Hazardous Materials), including those relating to the Release or threatened Release of Hazardous Materials or to the distribution, use, treatment, storage, disposal, transport, import, export, sale, marketing, labelling or handling of Hazardous Materials (including products containing Hazardous Materials).

“Equity Securities” means any share, capital stock, partnership, member or similar interest in any Person, and any option, warrant, right or security (including debt securities) convertible, exchangeable or exercisable thereto or therefor.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means, with respect to any entity, trade or business, any other entity, trade or business that is, or was at the relevant time, a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes or included the first entity, trade or business, or that is, or was at the relevant time, a member of the same “controlled group” as the first entity, trade or business pursuant to Section 4001(a)(14) of ERISA.

“Excess Cash” means the definition given to such term in the definition of “Closing Cash Amounts”.

“Foreign Plan” means each Seller Benefit Plan and Company Group Benefit Plan that primarily covers Business Employees or other individual service providers providing services to a Group Company based outside of the U.S. and/or that is subject to any Law other than U.S. federal, state or local Law (other than any plan or program that is maintained by a Governmental Entity to which the Company Group, the Seller or any Affiliate of any Seller contributes pursuant to applicable Law).

“Fraud” means, with respect to any party hereto, an actual and intentional fraud by such Person with respect to the making of representations and warranties contained in this Agreement or any certificate delivered hereunder; provided, that such actual and intentional fraud of such Person specifically excludes any statement, representation or omission made negligently or recklessly and shall only be deemed to exist if (a) such Person made a false representation with knowledge of its falsity when made, (b) the statements made by such Person were made with the intent to deceive another party hereto to rely thereon (or with the expectation that such other party would rely thereon) and that such other party would take action or inaction to such other party’s detriment (including consummation of the transactions contemplated by this Agreement), (c) such reliance and subsequent action or inaction by such other party was reasonable and (d) such action or inaction resulted in damages, losses or Liabilities, to such other party.

“Funded Debt” means, of any Person (including in the case of any member of the Company Group, any of the following incurred by or on behalf of any such Person) and as of any time, the aggregate amount of the following (including all accrued and unpaid interest and all prepayment penalties, breakage fees, penalties and exit or similar fees that would be incurred in connection with the repayment thereof at such time), without duplication: (a) the outstanding principal amount of any indebtedness for borrowed money (other than trade payables arising in the ordinary course of business to the extent included in Working Capital), including all accrued but unpaid interest thereon; (b) all other obligations evidenced by bonds, debentures, notes or similar instruments of indebtedness, including all accrued but unpaid interest thereon; (c) all capital lease obligations that are classified as a capital or finance lease in accordance with GAAP, but excluding all right of use liabilities under any operating leases in accordance with GAAP and those classified as such in the Financial Statements; (d) all letters of credit or similar facilities incurred by or on behalf of such Person, in each case solely to the extent drawn; (e) all net obligations under any cap, swap, collar or other hedging or derivative arrangements (other than any such arrangements entered into or left in place at Closing at the written request of Purchaser); (f) any unpaid payroll Taxes attributable to a Pre-Closing Tax Period or portion thereof deferred pursuant to section 2302 of the CARES Act; (g) all obligations secured by a Lien (other than Permitted Liens); (h) any Liability in respect of any International Benefit Plan that is a Company Group Benefit Plan and is an unfunded defined benefit or defined contribution plan; (i) the balance of deferred revenue, in accordance with GAAP, *multiplied by eighty one percent (81.0%)*; and (j) the deferred purchase price of businesses, properties, securities, goods or services (including any “earn-outs”, mile-stone or similar consideration in respect of property or services, but excluding current trade payables arising in the ordinary course of business), in each case of clauses (a) through (j), of such Person as of such time, calculated in a manner consistent with the Transaction Accounting Principles; provided, that “Funded Debt” of the Company Group shall exclude any amounts owed solely between or among members of the Company Group and any liability or obligation to the extent taken into account in the calculation of Working Capital.

“GAAP” means U.S. generally accepted accounting principles, consistently applied except for changes in the application thereof in order to comply with changes in such principles from time to time.

“Government Official” means (i) any official, officer, employee, representative or any person acting in an official capacity for or on behalf of any Governmental Entity, (ii) any political party or party official or candidate for political office or (iii) any official, officer, employee, representative, or any person acting in an official capacity for or on behalf of any public international organization or any department or agency thereof.

“Governmental Entity” means any national, state, local, provincial, supranational or foreign government or any court of competent jurisdiction, administrative agency or commission or other national, state, local, supranational or foreign governmental authority or instrumentality.

“Group Company” means any of the Company and the Company Subsidiaries.

“Hazardous Materials” shall mean any substance defined or regulated as a hazardous or toxic substance, material or waste or as a pollutant or contaminant, or words of similar meaning, by any applicable Environmental Law and per- and polyfluoroalkyl substances (PFAS).

“Indebtedness” means, of any Person and as of any time, all (a) Funded Debt of such Person; and (b) any obligations of such Person to guarantee or otherwise provide collateral or credit support for any of the obligations described in clause (a) on behalf of any Person other than, in the case of any Group Company, any other Group Company.

“Intellectual Property Rights” means any and all intellectual and industrial property rights and other similar proprietary rights, in any jurisdiction throughout the world, whether registered or unregistered, including: (a) U.S. and foreign patents and patent applications and disclosures relating thereto (and any patents that issue as a result of those patent applications), and any renewals, reissues, reexaminations, extensions, continuations, continuations-in-part, divisions and substitutions relating to any of the patents and patent applications, as well as all related foreign patent and patent applications that are counterparts to such patents and patent applications, inventions, invention disclosures, discoveries and improvements, whether or not patentable, (b) U.S. and foreign trademarks, service marks, trade dress, logos, certification marks, service names, brands, trade names and corporate names, whether registered or unregistered, and the goodwill associated therewith, together with any registrations and applications for registration thereof (collectively, “Trademarks”), (c) U.S. and foreign copyrights and rights under copyrights and works of authorship, whether registered or unregistered, and any registrations and applications for registration thereof, (d) rights in software, firmware, databases and data collections under the laws of the United States or any other jurisdiction, whether registered or unregistered, and any applications for registration therefor, (e) trade secrets, non-public information, know-how, business information and technical information (including formulas, techniques and processes) and other rights in know-how and confidential or proprietary information deriving economic value from the secret nature of the information, and rights to limit the use or disclosure thereof by any Person, and (f) URL and Internet domain name registrations.

“International Benefit Plan” means each Benefit Plan sponsored, maintained or contributed to principally for the benefit of International Business Employees.

“International Business Employee” means each Business Employee primarily employed outside the United States.

“IT Assets” means any computer systems (including computers, servers, workstations, routers, hubs, switches, networks, data communications lines and hardware) but, for clarity, not any Intellectual Property Rights covering the foregoing.

“Judgment” means any injunction, judgment, decree, ruling or other order issued by a Governmental Entity of competent jurisdiction.

“Knowledge” means, with respect to Seller, the actual knowledge, after due inquiry of such Person’s direct reports, of any Person listed in Section 1.1(b) of the Seller Disclosure Schedules, and, with respect to Purchaser, the actual knowledge, of any Person listed in Section 1.1(b) of the Purchaser Disclosure Schedules.

“Law” means any national, state, provincial, local, supranational or foreign law (including common law), statute, code, order, ordinance, directive, rule, regulation, treaty (including any Tax treaty) or other enforceable requirement, in each case promulgated or issued by a Governmental Entity.

“Liabilities” means all debts, liabilities, guarantees, assurances, commitments and obligations of any kind (including any Liability for Taxes), whether fixed, contingent or absolute, asserted or unasserted, matured or unmatured, liquidated or unliquidated, accrued or not accrued, known or unknown, due or to become due, whenever or however arising (including whether arising out of any Contract or tort based on negligence or strict liability).

“Lien” means any mortgage, lien, pledge, security interest, charge, easement, lease, right of way, encroachment, restriction or encumbrance of any kind, other than restrictions on transfer arising under applicable securities Laws.

“Malicious Code” means any computer code or any other procedures, routines or mechanisms which may: (i) disrupt, disable, harm or impair in any material way such Software’s operation, (ii) cause such software to damage or corrupt any data, storage media, programs, equipment or communications of the Company Group or its clients, or otherwise interfere with the Company Group’s operations or (iii) permit any third party to access any such Software to cause disruption, disablement, harm, impairment, damage erasure or corruption (sometimes referred to as “traps”, “viruses”, “access codes”, “back doors” “Trojan horses,” “time bombs,” “worms,” or “drop dead devices”).

“Malware Incident” means the malware incident affecting the Business as reported by Parent on its current report on Form 8-K filed with the Securities Exchange Commission on March 26, 2021.

“Multiemployer Plan” means any “multiemployer plan” within the meaning of Section 4001(a)(3) of ERISA.

“Permits” means permits, approvals, authorizations, consents, licenses or certificates issued by any Governmental Entity.

“Permitted Liens” means the following Liens: (a) Liens for Taxes, assessments or other governmental charges or levies that are not yet due or payable or that are being contested in good faith by appropriate Proceedings and for which adequate reserves have been established in accordance with GAAP; (b) statutory Liens of landlords and Liens of vendors, carriers, warehousemen, mechanics, materialmen, workmen, repairmen or similar Liens and other Liens imposed by Law and in the ordinary course of business; (c) Liens incurred or deposits made in the ordinary course of business in connection with workers’ compensation, unemployment insurance or other types of social security, in each case, that are not resulting from a breach, default or violation by the Company or any Company Subsidiary of any Contract or Law; (d) with respect to real property, (i) defects or imperfections of title; (ii) easements, declarations, covenants, rights-of-way, restrictions and other charges, instruments or encumbrances affecting title to real estate; (iii) zoning ordinances, variances, conditional use permits and similar regulations, permits, approvals and conditions; and (iv) Liens not created by Seller or any of its Affiliates that affect the underlying fee interest of any leased real property, including master leases or ground leases and any set of facts that an accurate up-to-date survey would show; provided, that (with respect to this clause (d) only) any such item does not materially interfere with the ordinary conduct of the Business or materially impair the continued use and operation of such real property for the purpose for which it is used as of the Closing Date; and (e) Liens listed on Section 1.1(e) of the Seller Disclosure Schedules.

“Person” means any individual, firm, corporation, partnership, limited liability company, trust, joint venture, Governmental Entity or other entity.

“Personal Data” means any information that allows the identification of or contact with, or can be used to identify, an individual natural person including (i) a natural person’s name, street address, telephone number, email address, photograph, passport number, credit card number, bank information, or account number, and (ii) any other piece of non-publicly available information that is defined as “personal data”, “personal information”, “personally identifiable information”, “PII” or any similar term under applicable Law.

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

“Pre-Closing Tax Period” means any taxable period (or portion thereof) ending on or prior to the Closing Date and, in the case of any Straddle Period, the portion of such period ending on and including the Closing Date.

“Pre-Closing Taxes” means all (i) Taxes of Parent or Seller and any Affiliates thereof (other than, prior to the Closing, the Company Group); (ii) Taxes of the Company Group or of any Group Company attributable to a Pre-Closing Tax Period or portion thereof (determined without regard to any carryback of any deduction, loss or credit arising on or after the Closing Date); (iii) Taxes arising as a result of being or having been a member of any consolidated, combined, unitary or other group for which Parent or Seller (or any Affiliate thereof that is not a Group Company) is the common parent including under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or non-U.S. law); (iv) all Taxes related to the Canadian wage subsidy and any employer related Taxes payable after Closing that are attributable to compensation paid or accrued in a Pre-Closing Tax Period; (v) the Seller’s share of any Taxes pursuant to the second sentence of Section 6.6; and (vi) any liability for the payment of any amount of a type described in clause (i) through (v) as a result of any obligation to indemnify or otherwise assume or succeed to the liability of any other Person.

“Proceeding” means any suit, claim, action, charge, complaint, examination, hearing, arbitration, audit, inspection, citation, investigation or other proceeding, whether civil, criminal, administrative or investigative, by or before any Governmental Entity.

“Purchaser Disclosure Schedules” means those certain Purchaser Disclosure Schedules delivered contemporaneously with the execution and delivery of this Agreement by Purchaser to Seller.

“Purchaser’s Fundamental Representations” means those representations and warranties set forth in Section 4.1 and Section 4.2.

“Release” means spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, migrating, dumping or disposing into the indoor or outdoor environment.

“Representative” of a Person means any officer, director or employee of such Person or any consultant, investment banker, attorney, accountant, agent or other advisor or representative of such Person.

“Required Financial Information” means, for each fiscal quarter of the Company Group ending on or after December 31, 2021, trial balances for such quarter, detailed and summary accounts receivable agings for such quarter, inventory reports for such quarter, inventory reports by location for such quarter, sales credits and collection reports for such quarter, and detailed and summary accounts payable agings for such quarter. Notwithstanding anything to the contrary in this definition, nothing will require Seller or any of its Subsidiaries to provide (or be deemed to require Seller to prepare) any Excluded Information.

“Seller Benefit Plan” means each Benefit Plan that is established, sponsored, maintained or contributed to by Seller or its Affiliates (other than any Group Company) or with respect to which Seller or its Affiliates (other than any Group Company) has any liability, in any case, for the benefit of any current or former Business Employee, other than any Multiemployer Plan and other than a plan, policy, program or arrangement which is maintained by a Governmental Entity to which Seller or its Affiliates contributes pursuant to applicable Law, and excluding the Company Group Benefit Plans.

“Seller Debt Documents” means all Contracts governing Indebtedness where both (i) the Seller and/or its Affiliates (other than the Company Group), and (ii) any Group Company, is a party (in each case, other than Contracts governing solely Indebtedness of any Group Company).

“Seller Debt Obligations” means (i) any guarantee by the Group Company and (ii) any Lien encumbering the Business or the assets of the Company Group and securing the repayment, in each case of clauses (i) and (ii), of the loans made under, the notes issued pursuant to and/or any obligations under the Seller Debt Documents.

“Seller Disclosure Schedules” means those certain Seller Disclosure Schedules delivered contemporaneously with the execution and delivery of this Agreement by Seller to Purchaser.

“Seller’s Fundamental Representations” means those representations and warranties set forth in Section 3.1(a), Section 3.1(b), Section 3.1(c), Section 3.2, Section 3.3 and Section 3.20.

“Seller Marks” means any and all Trademarks owned by Seller or any of its Affiliates including those containing or comprising the “Office Depot”, “ODP”, “OfficeMax”, “Grand & Toy”, “Varis” and “Veyer” names, or any variations, translations, transliterations, abbreviations or derivatives thereof, whether used alone or in combination with other words.

“Senior Management of the Business” means the individuals listed in Section 1.1(d) of the Seller Disclosure Schedules.

“Shared Contract” means a Contract of Seller or any of its Affiliates with one or more third parties, that relates to, or under which the rights or obligations of Seller or its Affiliates are exercised for the benefit of (A) both (x) any member of the Company Group or the Business and (y) Seller and its Affiliates (other than the Company Group) or their business, or (B) the Company Group or the Business (excluding any Contract to which any Group Company is a party), in each case of clauses (A) and (B), other than Seller Benefit Plans and insurance policies set forth on Section 3.17 of the Seller Disclosure Schedules, any Contract pursuant to which any of the services contemplated by the Transition Services Agreement are provided and any Contract which is immaterial to the usual and ordinary course business operations of any Group Company.

“Straddle Period” means any taxable period that begins on or before the Closing Date and ends after the Closing Date.

“Subsidiary” means with respect to any Person, any corporation, limited liability company or other entity whether incorporated or unincorporated, of which (a) such first Person directly or indirectly owns or controls at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions or (b) such first Person is a general partner or managing member; provided, that each Group Company shall be deemed to be a Subsidiary, prior to Closing, of Seller and, after the Closing, of Purchaser.

“Target Working Capital” means \$128,000,000.

“Tax” means any tax of any kind, including any federal, state, local, provincial or foreign income, estimated, sales, use, ad valorem, receipts, value added, escheat, goods and services, profits, license, withholding, payroll, employment, unemployment, excise, premium, property, net worth, capital gains, transfer, stamp, documentary, social security, environmental, alternative or add-on minimum, occupation, or other tax of any nature or any other fees, assessments, or charges of a similar nature, together with all interest, penalties and additions imposed with respect to such amounts.

“Tax Return” means any return, declaration, report, claim for refund or information return or statement required to be filed with any Taxing Authority relating to Taxes, including any amendment thereof or attachment thereto.

“Taxing Authority” means any Governmental Entity responsible for the administration or the imposition of any Tax.

“Transaction Documents” means this Agreement, the Transition Services Agreement, the Promissory Note, the Confidentiality Agreement and the Foreign Closing Documents.

“Willful Breach” means a knowing and intentional act, or failure to act, which act or failure to act constitutes in and of itself a material breach of this Agreement, by a party with the knowledge that the taking of such act or failure to take such act would be reasonably likely to cause a material breach of this Agreement.

“Working Capital” means, as of any time, the net working capital of the Company Group as of such time, calculated by subtracting (a) the sum of the amounts as of such time for the current liabilities of the Company Group and only including the line items and the general ledger accounts shown on the Sample Closing Statement, from (b) the sum of the amounts as of such time for the current assets of the Company Group and only including the line items and general ledger accounts shown on the Sample Closing Statement, in each case determined in accordance with the Transaction Accounting Principles; provided, that in no event shall Working Capital include (i) any amount included within the definition of Cash Amounts, Company Transaction Expenses or Funded Debt or (ii) any current or deferred income Tax assets or liabilities or any Taxes accounted for in the definition of Cash Sweep Withholding Amount.

Section 1.2. Other Defined Terms

. In addition, the following terms shall have the meanings ascribed to them in the corresponding section of this Agreement:

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Balance Sheet Date	3.7(a)
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ARTICLE II
PURCHASE AND SALE; CLOSING

Section 2.1. Purchase and Sale

. Subject to the terms and conditions of this Agreement, at the Closing, Seller shall sell, assign, transfer and convey to Purchaser, and Purchaser shall purchase, acquire and accept from Seller, all of Seller's right, title and interest in and to the Equity Interests, free and clear of all Liens (other than Liens arising under applicable securities Laws or restrictions on transfer arising under

the Organizational Documents), in exchange for the Closing Purchase Price, as adjusted in accordance with Section 2.5.

Section 2.2. Purchase Price

. In consideration for the Equity Interests and the other obligations of Seller pursuant to this Agreement, at the Closing, Purchaser shall pay to Seller an aggregate of one hundred twenty-five million Dollars (\$125,000,000) in cash (the "Base Purchase Price"), as adjusted in accordance with Section 2.5, which amount shall be paid by Purchaser in accordance with the terms of this Agreement.

Section 2.3. Closing Date

. The closing of the Transaction (the "Closing") shall take place at 8:00 a.m. Eastern Time remotely by exchange of documents and signatures (or their electronic counterparts), in each case, on the third (3rd) Business Day following the date on which the last of the conditions set forth in Article VII (other than those conditions that are to be satisfied by action taken at the Closing, but subject to the satisfaction or waiver of such conditions at the Closing) have been satisfied (or, to the extent permitted, waived by the parties entitled to the benefits thereof), or at such other place, time and date as may be agreed among Seller and Purchaser; provided, that at Seller's or Purchaser's request at Seller's or Purchaser's discretion, the parties shall delay the Closing until the next day following the satisfaction or waiver of such conditions that is the first day or first Business Day of a calendar month. The date on which the Closing occurs is referred to in this Agreement as the "Closing Date."

Section 2.4. Closing Deliveries

. (a) At the Closing, Purchaser shall deliver, or cause to be delivered, to Seller or its designee the following:

(i) Payment in immediately available funds of an amount equal to the Closing Purchase Price, by wire transfer(s) to one or more bank accounts designated in writing by Seller and in Dollars, which amount shall be paid by Purchaser in full;

(ii) the certificate to be delivered pursuant to Section 7.3(c);

(iii) a counterpart of the Transition Services Agreement attached as Exhibit A hereto (the "Transition Services Agreement"), duly executed by the Purchaser;

(iv) a counterpart of the Promissory Note attached as Exhibit B hereto (the "Promissory Note"), duly executed by the Obligor (as defined therein); and

(v) with respect to jurisdictions outside the United States, a counterpart to any agreement or other instrument (in form and substance reasonably satisfactory to Seller and Purchaser that is consistent with the terms and conditions of this Agreement and otherwise customary in such jurisdictions) to the extent necessary to effect the transfer of the Equity Interests to Purchaser pursuant to this Agreement (collectively, the "Foreign Closing Documents"), in each case duly executed by Purchaser, to the extent applicable (it being understood that such Foreign Closing Documents shall not require any party hereto or any of its Affiliates to make any additional representations, warranties or covenants, express or implied, not contained in this Agreement).

(b) At the Closing, Seller and the Company shall deliver, or cause to be delivered, to Purchaser the following:

(i) the certificate to be delivered pursuant to Section 7.2(c);

(ii) a counterpart of the Transition Services Agreement duly executed by Seller;

- (iii) a counterpart of the Promissory Note duly executed by Seller;
- (iv) instrument of assignment of the Equity Interests to Purchaser duly executed by Seller and in a form reasonably acceptable to Purchaser;
- (v) a counterpart of the Foreign Closing Documents duly executed by Seller, to the extent applicable; and
- (vi) a duly executed Internal Revenue Service Form W-9 or certificate of non-foreign status from Seller meeting the requirements of Treasury Regulations Section 1.1445-2(b).

Section 2.5. Adjustment to Base Purchase Price

(a) Section 2.5 of the Seller Disclosure Schedules sets forth a calculation of the Working Capital, the Cash Amounts, the Company Transaction Expenses and the Funded Debt of the Company Group, in each case, as of the Balance Sheet Date (the “Sample Closing Statement”). The Sample Closing Statement has been and the Closing Statement and the Post-Closing Statement shall be prepared (i) in accordance with the accounting principles, practices, methodologies and policies set forth in Section 2.5 of the Seller Disclosure Schedules, (ii) to the extent not inconsistent with clause (i), the accounting principles, practices, methodologies and policies as interpreted and applied in preparing the Business Financial Statements dated December 31, 2020 (which have been prepared in accordance with GAAP applied on a consistent basis (except as may be indicated in the notes thereto)), and (iii) to the extent not addressed in clause (i) or (ii), GAAP as in effect as of December 31, 2020 (the principles, practices, methodologies and policies set forth in clauses (i) through (iii), collectively, the “Transaction Accounting Principles”).

(b) At least three (3) Business Days prior to the Closing Date, or such later date as approved by Purchaser, Seller shall cause to be prepared and delivered to Purchaser a closing statement (the “Closing Statement”) setting forth Seller’s good-faith estimate of (i) the Adjustment Amount (such estimate, the “Estimated Adjustment Amount”) and the components thereof, (ii) the Closing Cash Amounts (which shall not exceed, with respect to each of CSI Systems India Private Limited and CCSI – CompuCom GSC Mexico, S. de R.L. de C.V., respectively, \$2,500,000, and \$0 for each other Group Company, (i.e., \$5,000,000 in the aggregate)), the “Estimated Closing Cash Amounts”), (iii) the Company Transaction Expenses (such estimate, the “Estimated Closing Company Transaction Expenses”), accompanied by invoices, to the extent applicable, and appropriate wire instructions for payment from the applicable Persons to whom such Company Transaction Expenses are owed, (iv) the Closing Funded Debt (such estimate, the “Estimated Closing Funded Debt”), and (v) the resulting calculation of the Closing Purchase Price. The Closing Statement shall be in substantially the same format as the Sample Closing Statement and be prepared in good faith by the Seller, consistent with the definitions in this Agreement, and in accordance with the Transaction Accounting Principles. Seller shall consider in good faith and reasonably cooperate with Purchaser regarding any comments provided by Purchaser no later than two (2) Business Days, or such later time as is approved by Seller, prior to the Closing Date with respect to the Closing Statement, and if Seller accepts any such comments, Seller shall deliver to Purchaser an updated version of the Closing Statement, which updated version shall replace the prior version for all purposes hereunder. The Estimated Adjustment Amount, the Estimated Closing Cash Amount, the Estimated Closing Company Transaction Expenses and the Estimated Closing Funded Debt shall be used to calculate the Closing Purchase Price to be paid by Purchaser to Seller at the Closing. Purchaser agrees that, following the Closing through the date that the Post-Closing Statement becomes final and binding in accordance with this Section 2.5, it will not take any actions with respect to any accounting books, records, policies or procedures on which the Sample Closing Statement or the Closing Statement is based, or on which the Post-Closing Statement is to be based, that are inconsistent with the ordinary course past practice of the Business (or of Seller or any of its

Affiliates with respect to the Business) with respect to its application of the Transaction Accounting Principles or that would impede or delay the final determination of the Post-Closing Statement.

(c) As promptly as reasonably possible and in any event within ninety (90) days after the Closing Date, Purchaser shall prepare or cause to be prepared, and will provide to Seller, a written statement (the “Post-Closing Statement”), setting forth the Adjustment Amount, the Closing Cash Amounts, the Closing Company Transaction Expenses and the Closing Funded Debt. The Post-Closing Statement shall set forth in reasonable detail the Purchaser’s good faith calculations of such amounts in substantially the same format as the Sample Closing Statement, and in a manner consistent with the definitions in this Agreement and the Transaction Accounting Principles and not reflect any accounting principles, policies, methods, and practices, other than the Transaction Accounting Principles.

(d) Within forty-five (45) days following receipt by Seller of the Post-Closing Statement (such period, the “Review Period”), Seller shall deliver written notice to Purchaser of any dispute Seller has with respect to the calculation, preparation or content of the Post-Closing Statement (the “Dispute Notice”); provided, that if Seller does not deliver any Dispute Notice to Purchaser within such Review Period, the Post-Closing Statement will be final, conclusive and binding on the parties hereto. The Dispute Notice shall set forth in reasonable detail (i) any item on the Post-Closing Statement that Seller disputes and (ii) Seller’s calculation of the correct amount of such item; provided, that Seller may not dispute the accounting principles, practices, methodologies and policies used in preparing the Post-Closing Statement unless they are inconsistent with the Transaction Accounting Principles. Any items not disputed or objected to in the Dispute Notice timely delivered by Seller to Purchaser shall be deemed to have been accepted by the parties hereto. The Post-Closing Statement shall be deemed to have been accepted by the parties hereto and shall become final and binding upon the parties hereto as of the expiration of the Review Period with respect to any matters set forth therein not then subject to an unresolved dispute set forth in the Dispute Notice. Upon receipt by Purchaser of a Dispute Notice, Purchaser and Seller shall negotiate in good faith to resolve any dispute set forth therein. All such discussions and communications related thereto shall (unless otherwise agreed by the Purchaser and the Seller) be governed by Rule 408 of the Federal Rules of Evidence and any applicable similar state rule, and any resolution by them agreed to in writing as to any disputed amounts shall be final, binding and conclusive. If Purchaser and Seller fail to resolve any such dispute within thirty (30) days after delivery of the Dispute Notice (the “Dispute Resolution Period”), then, within ten (10) Business Days following the expiration of the Dispute Resolution Period, a nationally recognized independent accounting firm mutually reasonably acceptable to Seller and Purchaser (the “Independent Accounting Firm”) shall be engaged to resolve any such dispute; provided, that, if such accounting firm is unwilling or unable to perform the services required under this Section 2.5(d), then each of Seller and Purchaser shall select a nationally recognized major accounting firm, and the two (2) firms will mutually select a third internationally recognized independent public accounting firm to serve as the Independent Accounting Firm. The Seller and the Purchaser each agree to promptly sign an engagement letter, in commercially reasonable form, as may reasonably be required by the Independent Accounting Firm. As promptly as practicable, and in any event not more than fifteen (15) days following the engagement of the Independent Accounting Firm, Purchaser and Seller shall each prepare and submit a written presentation detailing each party’s complete statement of proposed resolution of each issue still in dispute to the Independent Accounting Firm (it being understood that the content of each such presentation shall be limited to whether the Adjustment Amount, the Closing Cash Amounts, the Closing Company Transaction Expenses and the Closing Funded Debt were properly calculated in accordance with the definitions in this Agreement and the Transaction Accounting Principles, the proposed resolution of each disputed issue by such party and reasonable supporting detail for the foregoing). Purchaser and Seller shall instruct the Independent Accounting Firm to, as soon as practicable after the submission of the presentations described in the immediately preceding sentence and in any event not more than twenty (20) days following such presentations, acting as an expert in accounting and not as an arbitrator, make a final determination, binding on the parties to this Agreement, of the appropriate amount of each of the line items that remain in dispute

as indicated in the Dispute Notice. None of the Seller, the Purchaser, nor any of their respective Affiliates shall have any ex parte communications or meetings with the Independent Accounting Firm regarding the subject matter hereof without the other party's prior written consent. The Independent Accounting Firm shall agree that between the time the Seller delivered the Dispute Notice and the date on which any disputed item was submitted to the Independent Accounting Firm, the Purchaser and the Seller and their respective Representatives may have exchanged certain proposals relating to the disputed items that were intended solely for purposes of facilitating settlement discussions, and such proposals were confidential and were provided solely on the condition and understanding that such proposals would not be permitted to be disclosed in any court or arbitration hearing or in respect of the Independent Accounting Firm's engagement in the dispute, and the Independent Accounting Firm will be instructed to disregard any evidence of such settlement proposals and negotiations in its consideration of the disputed items. With respect to each disputed line item, such determination, if not in accordance with the position of either Seller or Purchaser, shall not be in excess of the higher, nor less than the lower, of the amounts advocated by Seller or Purchaser in the Dispute Notice and the Post-Closing Statement, respectively. Notwithstanding the foregoing, the scope of the disputes to be resolved by the Independent Accounting Firm shall be limited to whether any disputed determinations of the Adjustment Amount, the Closing Cash Amounts, the Closing Company Transaction Expenses and the Closing Funded Debt were properly calculated in accordance with the definitions in this Agreement and the Transaction Accounting Principles. The fees and expenses of the Independent Accounting Firm shall be allocated to be paid by Purchaser, on the one hand, and Seller, on the other hand, based upon the percentage that the portion of the contested amount not awarded to each party bears to the amount actually contested by such party, as determined by the Independent Accounting Firm. For example, if Seller claims in a Dispute Notice that the Adjustment Amount is \$1,000 greater than the amount determined by Purchaser in the Closing Statement, and if the Independent Accounting Firm ultimately resolves the dispute by awarding Seller \$600 of the \$1,000 contested, then the costs and expenses of the Independent Accounting Firm will be allocated 60% (i.e., $600 \div 1,000$) to Purchaser and 40% (i.e., $400 \div 1,000$) to Seller. All determinations made by the Independent Accounting Firm, and the Post-Closing Statement, as modified by the Independent Accounting Firm, will be final, conclusive and binding on the parties hereto. The parties hereto agree that any adjustment as determined pursuant to this Section 2.5(d) shall be treated as an adjustment to the Final Purchase Price, except as otherwise required by Law.

(e) For purposes of complying with the terms set forth in this Section 2.5, each of Seller and, following the Closing, Purchaser shall reasonably cooperate with and promptly make available to each other and their respective Representatives any personnel, information, records, data and final drafts of working papers (subject to customary confidentiality agreements and access letters, as applicable), in each case to the extent related to the Company or the Transaction and to the extent reasonably required in connection with the preparation and analysis of the Closing Statement and Post-Closing Statement and the resolution of any disputes thereunder, and shall permit reasonable access to its facilities and personnel, as may be reasonably required in connection with the preparation and analysis of the Closing Statement and Post-Closing Statement and the resolution of any disputes thereunder; provided, that Seller or Purchaser may withhold any document (or portions thereof) or information that may constitute privileged attorney-client communications or attorney work product, the transfer of which, or the provision of access to which, on the advice of legal counsel, would reasonably be expected to risk a waiver of such privilege or if the provision of access to such document (or portion thereof) or information, on the advice of legal counsel, would reasonably be expected to conflict with applicable Law (it being agreed, that, in the event any of the restrictions in the foregoing apply, the disclosing party shall provide the other party with a reasonably detailed description and summary of the information not provided but that would otherwise be required to be provided under this Section 2.5(e) and cooperate in good faith with such other party to design and implement alternative disclosure arrangements to enable such other party and its Representatives to reasonably evaluate any such information without resulting in such violation or jeopardizing such attorney-client privilege or contravening such Laws).

(f) The “Final Purchase Price” shall mean the Base Purchase Price, *plus* (i) the Closing Cash Amounts *plus* the Excess Cash (subject to Section 2.5(h)), if any, *plus* (ii) the Adjustment Amount (which may be a positive or negative number), *minus* (iii) the Closing Funded Debt, *minus* (iv) the Closing Company Transaction Expenses, in each case of clauses (i), (ii), (iii) and (iv), as finally determined pursuant to Sections 2.5(c) and 2.5(d).

(g) If the Closing Purchase Price shall exceed the Final Purchase Price, then Seller shall pay or cause to be paid an amount in cash equal to such excess to Purchaser by wire transfer of immediately available funds to an account or accounts designated in writing by Purchaser to Seller; or if the Final Purchase Price shall exceed the Closing Purchase Price, then Purchaser shall pay or cause to be paid an amount in cash equal to such excess to Seller by wire transfer of immediately available funds to an account or accounts designated in writing by Seller to Purchaser, in each case, taking into account any amount of Excess Cash reflected in the Final Purchase Price that was remitted to Seller prior to the date of such payment pursuant to Section 5.23. Any such payment is to be made within five (5) Business Days of the date on which the Adjustment Amount, Closing Cash Amounts, Closing Company Transaction Expenses and Closing Funded Debt are finally determined pursuant to this Section 2.5. The parties hereto agree that any payment pursuant to this Section 2.5(d) shall be treated as an adjustment to the Closing Purchase Price, except as otherwise required by Law.

(h) To the extent that there is Excess Cash in any Group Company, that Excess Cash, net of any Taxes or other fees and expenses that would be payable with respect to any repatriation to the United States of such amounts of Excess Cash, shall be added to the Final Purchase Price as described in Section 2.5(f).

Section 2.6. Withholding

. Notwithstanding anything in this Agreement to the contrary, the Purchaser shall be entitled to deduct and withhold (or cause to be deducted and withheld) from any amounts payable pursuant to this Agreement such amounts as may be required to be deducted and withheld under the Code or under any applicable Laws; provided, however, that other than in connection with the failure to comply with Section 2.4(b)(vi), Purchaser shall use commercially reasonable efforts to give Seller written notice at least five (5) Business Days prior to Closing of its intent to deduct or withhold and shall cooperate with Seller in good faith to mitigate any such withholding. Amounts withheld pursuant to this Section 2.6 shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in, or qualified by any matter set forth in, the Seller Disclosure Schedules (it being agreed, subject to Section 10.12, that the disclosure of any matter in any section in the Seller Disclosure Schedules shall be deemed to have been disclosed in any other section in the Seller Disclosure Schedules to which the applicability of such disclosure is reasonably apparent on its face), Seller hereby represents and warrants to Purchaser as follows:

Section 3.1. Organization and Qualification; Subsidiaries

(a) Each of Seller and the Company is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware.

(b) Each of Seller and the Company has all requisite limited liability or corporate power, as applicable, and authority to own, lease and operate its properties and assets and to carry on its business as it is now being conducted. Each of Seller and the Company is duly qualified to do business and in good

standing in each jurisdiction where the ownership, leasing or operation of its properties or assets or the conduct of its business requires such qualification, except where the failure to be so qualified or in good standing would not have a Company Material Adverse Effect or would not reasonably be expected to prevent or materially impede the Company's or the Seller's ability to perform its obligations under this Agreement or any other Transaction Document to which it is a party (or will be a party when executed after the date hereof).

(c) Section 3.1(c) of the Seller Disclosure Schedules contains a complete and accurate list of the name and jurisdiction of organization of each Subsidiary of the Company (each a "Company Subsidiary," and, collectively, the "Company Subsidiaries") as of the date of this Agreement and sets forth (i) the authorized and issued capital stock or other Equity Securities of each Company Subsidiary as of the date of this Agreement and (ii) the number and type of shares of capital stock or other Equity Securities of such Company Subsidiary that, as of the date of this Agreement, are owned, directly or indirectly by the Company. Each share of capital stock or other Equity Securities of each Company Subsidiary owned directly or indirectly by the Company is owned free and clear of any Liens (other than Permitted Liens). Each Company Subsidiary is duly organized, validly existing and, to the extent applicable, in good standing under the Laws of the jurisdiction of its organization and each Company Subsidiary has the requisite power and authority to own, lease and operate all of its properties and assets and to carry on its business as it is now being conducted, except when the failure to be so duly organized, validly existing, in good standing or have such power and authority would not have a Company Material Adverse Effect. Except for the capital stock or other Equity Securities of the Company Subsidiaries, the Company does not own or have any contractual obligation or commitment to acquire, directly or indirectly, any capital stock or other Equity Securities of any Person, have any investments in, or hold any Equity Securities, directly or indirectly, in, any Person or have an obligation or requirement (including debt interests) to otherwise make any investment or capital contribution in any Person.

(d) Seller has made available to Purchaser true, correct and complete copies of the currently effective Certificate of Formation and Limited Liability Company Agreement of the Company and all amendments, restatements, supplements and modifications thereto (collectively, the "Organizational Documents") and the equivalent organizational documents of each material Company Subsidiary. The Seller and each member of the Company Group is in material compliance with its respective Organizational Documents.

Section 3.2. Capitalization

; Ownership of Equity Interests. The Equity Interests comprise all of the issued and outstanding Equity Securities of the Company, and 100% of the Equity Interests are held of record and owned beneficially by Seller. All of the Equity Interests are duly authorized, validly issued and fully paid, and in each case, free and clear of preemptive rights, rights of first offer, rights of first refusal or similar rights to acquire the Equity Interests. The Seller has good, valid and marketable title to the Equity Interests, free and clear of all Liens (other than Liens arising under applicable securities Laws or restrictions on transfer arising under the Organizational Documents or the Transaction Documents) and has the right to transfer and sell the Equity Interests to Purchaser in accordance with the terms of this Agreement. There are no preemptive or other outstanding rights, options, warrants, calls, put, convertible securities, exchangeable securities, subscription right, conversion rights, redemption rights, repurchase rights, stock appreciation, phantom stock, profit participation or other similar rights, agreements, arrangements or commitments with respect to the Equity Interests. There are no outstanding Equity Securities of the Company (other than the Equity Interests) or Contracts or other commitments or arrangements of any kind to which the Company or a Company Subsidiary is subject or bound (other than this Agreement) (i) restricting or requiring the issuance, transfer, granting, delivery or sale, of any Equity Securities or other voting interests of the Company, (ii) granting, extending, or entering into any such option, warrant, call, put, subscription right, conversion right, redemption right, repurchase right, stock appreciation right, phantom stock right, profit participation right or other similar rights, agreements, arrangements or

commitments, (iii) requiring the Company to repurchase, redeem or otherwise acquire any of the Equity Interests or voting interests of the Company, and (iv) requiring the Company to provide any funds to, or make any investment (in the form of a loan, capital contribution, or otherwise) in, any Group Company. There are no outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote (or which bonds, debentures, notes or obligations are convertible or exchangeable into or exercisable for securities having the right to vote) with the holders of the Equity Interests on any matter required to be voted on by the holders of such Equity Interests.

Section 3.3. Authority; Execution and Delivery; Enforceability.

. Each of Seller and the Company has all necessary limited liability or corporate power, as applicable, and authority to execute this Agreement, the Transaction Documents to which Seller or the Company, as applicable, is a party (or will be a party when executed after the date hereof) and to perform Seller's or the Company's, as applicable, obligations hereunder and thereunder, and to consummate the Transaction and the other transactions contemplated hereby. The execution and delivery by each of Seller and the Company of this Agreement and any Transaction Document to which Seller or the Company, as applicable is a party (or will be a party when executed after the date hereof), the performance of Seller's or the Company's, as applicable, obligations hereunder and thereunder and the consummation by Seller or the Company, as applicable, of the Transaction and the other transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate or other action of Seller or the Company, as applicable. Each of Seller and the Company has duly executed and delivered this Agreement, and assuming due authorization, execution and delivery by Purchaser, this Agreement and the other Transaction Documents to which Seller or the Company, as applicable, is a party (or will be a party when executed after the date hereof) will constitute a valid and binding obligation of Seller or the Company, as applicable, enforceable against it in accordance with its terms, subject to the effect of any Laws relating to bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or preferential transfers, or similar Laws relating to or affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a Proceeding in equity or at law) (the "Enforceability Exceptions").

Section 3.4. No Conflict

. None of the execution, delivery or performance by Seller or the Company of this Agreement or any Transaction Document to which Seller or the Company, as applicable is a party (or will be a party when executed after the date hereof), the consummation by Seller or the Company, as applicable, of the Transaction or any other transaction contemplated by this Agreement or any such applicable Transaction Document, or Seller's or Company's compliance with any of the provisions of this Agreement or any such applicable Transaction Document will (with or without notice or lapse of time, or both):

(a) conflict with, breach or violate any provision of the Organizational Documents or the organizational documents of Seller or of any Company Subsidiary;

(b) assuming that all consents, approvals, authorizations and permits described in Section 3.5 have been obtained and all filings and notifications described in Section 3.5 have been made and any waiting periods thereunder have terminated or expired, conflict with or result in a violation or breach of any Law applicable to Seller, the Company or any Company Subsidiary or any of their respective properties or assets; or

(c) require any notice, consent or approval under, violate, conflict with, result in any breach of or any loss of any benefit under, or constitute a change of control or default under, or result in termination or give to others any right of termination, vesting, amendment, acceleration or cancellation of, or result in the creation of a Lien upon any of the rights, respective properties or assets of the Company or any Company Subsidiary pursuant to, any Company Material Contract or any material Company Permit, except, in each

case of clauses (b) and (c), for any such conflicts, violations, consents, breaches, losses, changes of control, defaults, other occurrences or Liens as would not have a Company Material Adverse Effect or would not reasonably be expected to prevent or materially impede the Company's or the Seller's ability to perform its obligations under this Agreement or any other Transaction Document to which it is a party (or will be a party when executed after the date hereof).

Section 3.5. Required Filings and Consents

. None of the execution, delivery or performance by Seller or any Group Company of this Agreement or any Transaction Document to which it is a party (or will be a party when executed after the date hereof), the consummation of the Transaction or any other transaction contemplated by this Agreement, or Seller's compliance with any of the provisions of this Agreement will require (with or without notice or lapse of time, or both) any declaration, consent, approval, authorization or permit of, or filing or registration with or notification to, any Governmental Entity, other than (a) compliance with any applicable Antitrust Laws of the jurisdictions set forth on Section 3.5 of the Seller Disclosure Schedules and (b) where the failure to obtain such declarations, consents, approvals, authorizations or permits of, or to make such filings, registrations with or notifications to, any Governmental Entity would not reasonably be expected, individually or in the aggregate, to be material to the Company Group, taken as a whole, or would not reasonably be expected to, individually or in the aggregate, prevent or materially impede the Company's or the Seller's ability to perform its obligations under this Agreement or any other Transaction Document to which it is a party (or will be a party when executed after the date hereof).

Section 3.6. Permits; Compliance with Law

(a) Except where the failure to hold Company Permits, failure of the Company Permits to be in full force or effect or failure to comply would not have a Company Material Adverse Effect: (i) the Company and each Company Subsidiary holds all authorizations, permits, certificates, exemptions, approvals, orders, consents, franchises, variances, easements, exemptions, registrations, licenses and clearances of any Governmental Entity (the "Company Permits") necessary for the operation of the Business as conducted as of the date hereof, (ii) all such Company Permits are in full force and effect and none of the Company Permits will be terminated, materially impaired, or require material amendment or transfer or will become terminable, materially impaired or require material amendment or transfer, in whole or in part, as a result or in connection with the consummation of the Transactions contemplated by this Agreement, (iii) the Company and each Company Subsidiary is operating in compliance and not in default or in violation of the terms of such Company Permits, (iv) all fees and charges with respect to such Company Permits have been timely paid in full except where such non-payment would not have a material impact that is adverse on the Company Group and (v) no Proceeding or written notice seeking the revocation, cancellation, termination, limitation or nonrenewal of any material Company Permit is pending before any Governmental Entity or, to the Knowledge of the Seller, threatened;

(b) Except as would not have a Company Material Adverse Effect, (i) the Company and each Company Subsidiary is, and since January 1, 2018 has been, in compliance with all Laws applicable to the Company or any Company Subsidiary or any assets owned or used by the Company or any Company Subsidiary, (ii) neither the Company nor any Company Subsidiary has received any written communication since January 1, 2018 from a Governmental Entity that alleges that the Company or any Company Subsidiary has, at any time, not been in compliance with any such Law or threatening to rescind, revoke, suspend, modify or not renew any material Company Permit, and (iii) there has not been any investigation or inquiry by a Governmental Entity pending or, to the Knowledge of Seller, threatened against the Company or any Company Subsidiary at any time since January 1, 2018.

(c) Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, neither the Company, nor the Company Subsidiaries, nor, to the

Knowledge of Seller, any Representatives acting on their behalf, have, in the past four (4) years, directly or indirectly, (i) used any funds for unlawful contributions, gifts, entertainment or other unlawful payments relating to political activity; (ii) given, offered, promised, or authorized to give, any money or thing of value to any foreign or domestic Government Official corruptly for the purpose of influencing an act or decision of the Government Official, or inducing the Government Official to use his or her influence or position to affect any government act or decision in order to obtain or retain business for the Company or any of the Company Subsidiaries; (iii) given, offered, promised, or authorized to give, any money or thing of value to a Government Official or any other Person in violation of any applicable anti-corruption laws, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, any applicable laws enacted pursuant to, or arising under, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or any other applicable laws or regulations relating to bribery or corruption; or (iv) engaged in any activities in violation of any applicable export control, import/customs, antiboycott, anti-money laundering, or economic sanctions laws or regulations, including measures implemented by the U.S. Treasury Department's Office of Foreign Assets Control and Global Affairs Canada, or any other applicable Governmental Entity.

Section 3.7. Financial Statements

(a) Seller has made available to Purchaser true, correct and complete copies of the following financial statements (and any applicable notes and schedules thereto) (collectively, the "Business Financial Statements"): (i) the unaudited consolidated balance sheet of the Company Group as of September 30, 2021 (the "Business Balance Sheet" and such date the "Balance Sheet Date") and as of December 31, 2020 and as of December 31, 2019 and the related unaudited consolidated statement of operations and income (loss) and cash flows of the Company Group, in each case, for the fiscal years ended December 31, 2020 and December 31, 2019 and the fiscal year-to-date period ended September 30, 2021.

(b) The Business Financial Statements (i) have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or, in the case of interim financial statements, for normal and recurring year-end adjustments) and in accordance with the Books and Records of the Company Group and (ii) fairly present in all material respects the consolidated financial position and the consolidated results of operations of the Company Group, taken as a whole, as of the respective dates for the respective periods referred to therein (except as may be indicated in the notes thereto or, in the case of interim financial statements, for normal and recurring year-end adjustments); provided, that (A) throughout the periods covered by the Business Financial Statements, the Company Group has not operated as separate stand-alone entities of the Seller, and instead the balance sheet and results of operations of the Company Group have been reported within the consolidated financial statements of Parent and their applicable Affiliates, (B) stand-alone financial statements have not historically been prepared for the Company Group and, (C) the Business Financial Statements are not necessarily indicative of what the financial position and results of operations of the Business will be in the future.

Section 3.8. No Undisclosed Liabilities

. Except for those (a) Liabilities and obligations as reflected or reserved against in the Business Balance Sheet (including in the notes thereto), (b) Liabilities incurred in the ordinary course of business since the Balance Sheet Date (none of which results from, arises out of or relates to any breach or violation of, or default under, any Contract to which the Company is a party or by which the Company is bound, or to which any of the Company's properties or assets are subject, or any breach of warranty, tort, infringement or violation of applicable Law or otherwise as a result of any cause of Action, claim, or lawsuit), (c) Liabilities and obligations incurred as expressly contemplated by this Agreement (and not in violation of this Agreement or any Transaction Document) or (d) Liabilities or obligations not required to be reflected on a consolidated balance sheet of the Company or not required to

be disclosed in the notes of the Parent's Form 10-K as of the Balance Sheet Date, in each case prepared in accordance with GAAP, the Company Group has no material Liabilities (contingent or otherwise).

Section 3.9. Absence of Certain Changes or Events

(a) Except as expressly contemplated by this Agreement, since the Balance Sheet Date until the date of this Agreement, each of the Company and the Company Subsidiaries has conducted its businesses in all material respects in the ordinary course of business, and no member of the Company Group has taken any action that, if taken after the date of this Agreement and prior to the Closing, would have required the prior written consent of the Purchaser pursuant to clauses (iii), (v), (vi), (ix), (x), (xi) and (xix) (but only to the extent that clause (xix) would relate to the aforementioned clauses) of Section 5.2(b).

(b) Since the Balance Sheet Date, there has not occurred, arisen or come into existence any fact, change, event, development or circumstance, or any worsening thereof, that would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 3.10. Employee Benefit Plans

(a) Section 3.10(a)(i) of the Seller Disclosure Schedules sets forth a complete and accurate list, as of the date of this Agreement, of each material Seller Benefit Plan. Section 3.10(a)(ii) of the Seller Disclosure Schedules sets forth a complete and accurate list, as of the date of this Agreement, of each material Company Group Benefit Plan. Section 3.10(a)(iii) of the Seller Disclosure Schedules sets forth a complete and accurate list, as of the date of this Agreement, of each material Foreign Plan, other than any Contract entered into with a non-US employee that is substantially consistent with a form employment agreement maintained by any Group Company as of the date of this Agreement and made available to Purchaser for the benefit of any current, former or retired Business Employee. For the avoidance of doubt, and except to the extent any Benefit Plan impacts in any manner Purchaser's commitments and obligations under Section 5.7, no Benefit Plan will be deemed material hereunder to the extent that all Liabilities under such Benefit Plan, and all obligations thereunder, (x) are, as of the date hereof, solely borne by, and (y) from and after the Closing, will be solely retained by, in each case, the Seller or its Affiliates (other than any Group Company).

(b) With respect to each material Benefit Plan, Seller has made available to Purchaser complete and accurate copies of (i) each such Benefit Plan, (ii) each trust, insurance, annuity or other funding Contract related thereto, (iii) the most recent summary plan description, (iv) the most recent financial statement and actuarial or other valuation report prepared with respect thereto, (v) the most recently received IRS determination letter or opinion letter, if any, issued by the IRS with respect to any Benefit Plan that is intended to qualify under Section 401(a) of the Code, (vi) the most recent annual report on Form 5500 (and all schedules thereto) required to be filed with the IRS with respect thereto, and (vii) all material written Contracts relating to each Benefit Plan, including administrative service agreements and group insurance contracts.

(c) Each Benefit Plan has been established, maintained and administered in accordance with its terms in all material respects and is in compliance in all material respects with ERISA, the Code and all other applicable Laws. No material Actions, suits or claims (other than routine claims for benefits in the ordinary course of business) are pending, threatened in writing or, to the Knowledge of the Seller, anticipated, relating to or otherwise in connection with any Business Employees under any Benefit Plan, the assets thereof, or fiduciaries or parties-in-interest, as defined under ERISA, and no facts or circumstances exist that would reasonably be expected to give rise to any such Actions, suits or claims. No material administrative investigation, audit or other administrative proceeding by the Department of Labor, the IRS or other Governmental Entity are pending, threatened in writing or, to the Knowledge of the Seller,

anticipated with respect to any Benefit Plan. All payments required by each Benefit Plan or by Law with respect to the Business Employees (including, without limitation, all contributions, insurance premiums or intercompany charges) with respect to all prior periods have been made or provided for in accordance with the provisions of each of Benefit Plan, applicable Laws and GAAP.

(d) Each Benefit Plan that is intended to be qualified under Section 401(a) of the Code has timely received or applied for a favorable determination letter or is entitled to rely on a favorable opinion letter from the IRS, in either case, that has not been revoked and, to the Knowledge of the Company, no event or circumstance exists that would reasonably be expected to adversely affect such qualification or exemption.

(e) No Benefit Plan is, and none of Seller, the Company, any Company Subsidiary or any of their respective ERISA Affiliates has now or in the past six (6) years sponsored, maintained, contributed to, been obligated to contribute to, or had any liability with respect to any (i) single employer pension plan that is subject to Section 302 or Title IV of ERISA or Section 412 of the Code, (ii) any Multiemployer Plan, (iii) any “multiple employer plan” as defined in Section 413(c) of the Code, or (iv) any “multiple employer welfare arrangement” (within the meaning of Section 3(40) of ERISA).

(f) No Group Company has incurred any material liability in respect of, or obligation to provide, post-retirement health, medical, disability, life insurance benefits or other welfare benefits for former or current employees or directors of any Group Company (or the spouses, dependent or beneficiaries of any such individuals) under any Company Group Benefit Plan except as required to comply with Section 4980B of the Code or any similar Law, or through the end of the month of termination of employment.

(g) Except as would not reasonably be expected to be materially adverse to the Company Group, taken as a whole, each Foreign Plan (i) has been maintained, operated and administered in compliance with its terms and in compliance with applicable Laws; (ii) if required to be registered or approved by a non-US Governmental Entity, has been registered or approved and has been maintained in good standing with applicable regulatory authorities, and no event has occurred since the date of the most recent approval or application therefor relating to any such Foreign Plan that would reasonably be expected to adversely affect any such approval or good standing; (iii) that is intended to qualify for special Tax treatment meets all requirements for such treatment; (iv) if required to be fully funded, book-reserved or fully insured, is fully funded, book-reserved or fully insured, as applicable, on an ongoing and termination or solvency basis (in each case, determined using reasonable actuarial assumptions) in compliance with applicable Laws; and (v) is not subject to any pending, threatened in writing or, to the Knowledge of the Seller, anticipated claims by or on behalf of any participant in any Foreign Plan, or otherwise involving any such Foreign Plan or the assets of any Foreign Plan, other than routine claims for benefits in the ordinary course of business.

(h) None of the execution, delivery or performance of this Agreement by Seller, the consummation of the Transaction or any other transaction contemplated by this Agreement, or Seller’s compliance with any of the provisions of this Agreement will (either alone or in conjunction with any other event, including any termination of employment on or following the Closing), except as required by this Agreement, (i) entitle any current or former Business Employee to any compensation or benefit payable by, or creating any Liability of, any Group Company, (ii) accelerate the time of payment or vesting, increase the amount of payment, or trigger any payment or funding, of any compensation or benefit or trigger any other economic obligation under any Benefit Plan, (iii) result in any forgiveness of indebtedness with respect to any current or former Business Employee or trigger any funding obligation under any Benefit Plan, (iv) result in any payment (whether in cash or property or the vesting of property) to any “disqualified individual” (as such term is defined in Treasury Regulations Section 1.280G-1) that could reasonably be construed, individually or in combination with any other such payment, to constitute an “excess parachute

payment” under Section 280G of the Code or (v) restrict the ability of any member of the Company Group to amend or terminate any Company Group Benefit Plan at any time.

Section 3.11. Labor and Other Employment Matters

(a) The Company, the Seller and its Affiliates (in connection with the Business, the Business Employees, or any personnel who have performed or are performing services for the Business, the Company, or any Company Subsidiary), and each Company Subsidiary are, and have been in the past three (3) years, in compliance in all material respects with all applicable Laws respecting labor, employment, and employment practices, including terms and conditions of employment, workers’ compensation, occupational safety, plant closings, compensation and benefits, wages and hours, overtime, classification (as exempt/non-exempt employees and as contractors, employees, or otherwise), meal and rest breaks, equal employment opportunity, collective bargaining, record-keeping, immigration, sexual or other harassment, employee privacy, drug testing, background checks, leaves of absence and unemployment insurance. The Company, Seller and any Affiliates (in connection with the Business, the Business Employees, or any personnel who have performed or are performing services for the Business, the Company, or any Company Subsidiary), and the Company Subsidiaries have paid all wages, commissions, bonuses, fees and other compensation that have come due and payable to their respective current and former employees, independent contractors, consultants, and other service providers under Law, Contract or policy. There are no material outstanding Liabilities, Liens, or other amounts due or owing under the Occupational Safety and Health Act or any similar Laws, and no open Actions that could be reasonably expected to result in such Liabilities, Liens, or other amounts.

(b) None of the Company, Seller or any Affiliates (in connection with the Business or the Business Employees), or any Company Subsidiaries is a party to, is bound by or has a duty to bargain for any collective bargaining, works council or other Contract with a labor union, works council or similar labor organization (each, a “Labor Agreement”). None of the Business Employees are represented by a labor union, works council, labor organization, or similar Person.

(i) There are no material grievances, arbitrations or legal or administrative Proceedings which allege the violation of any Labor Agreement pending or, to the Knowledge of Seller, threatened; there is no material unfair labor practice charge pending or, to the Knowledge of Seller, threatened against the Company, Seller or any Affiliates (in connection with the Business or Business Employees), or any Company Subsidiaries before the National Labor Relations Board or any comparable labor relations authority; and there is no pending or, to the Knowledge of Seller, threatened material grievance, charge, complaint, audit or investigation by or before any Governmental Entity with respect to any current or former employees of the Company, Seller or any Affiliates (in connection with the Business or the business as conducted by the Company or any Company Subsidiary at such time), or any Company Subsidiary in their capacities as such;

(ii) There are no, and there have not been in the past three (3) years any, labor strikes, slowdowns, work stoppages, picketings, union election petitions, negotiated industrial actions or lockouts pending or, to the Knowledge of Seller, threatened, against the Company, Seller or any Affiliates (in connection with the Business or the business as conducted by the Company or any Company Subsidiary at such time), or any of the Company Subsidiaries; and

(iii) No labor union, labor organization, works council, or similar labor organization is making or has made a demand for recognition or certification to the Company, Seller or any Affiliates (in connection with the Business, the Business Employees, or any personnel who have

performed or are performing services for the Business, the Company, or any Company Subsidiary), or any of the Company Subsidiaries, and there are no representation or certification proceedings or petitions seeking a representation proceeding presently pending or, to the Knowledge of Seller, threatened to be brought or filed with any labor relations tribunal or authority.

(d) Seller has made available to Purchaser an accurate list of all Business Employees, along with: (i) their titles; (ii) their employer and location of employment; (iii) their dates of hire; (iv) their status as full-time or part-time; (v) their current base salary or wage rate; (vi) the amount of any target bonuses, commissions or other compensation (whether payable in cash, securities or other property) to which they are entitled; (vii) their classification as overtime exempt or overtime nonexempt under applicable Laws; and (viii) their current leave status (and, if on a leave of absence, expected return to work date). No Business Employee who is an officer or key employee has submitted his or her resignation or, to the Knowledge of the Seller, intends to resign within the twelve (12) months following the Closing Date. No material allegations of sexual or other harassment have been made against any Business Employee or with respect to the Business during the past three (3) years.

(e) Section 3.11(e) of the Seller Disclosure Schedules contains an accurate list of each employee who was terminated, furloughed, or laid off for any reason other than for cause, during the ninety (90) days preceding the date hereof, along with each such employee's: (i) employer; (ii) location of work; and (iii) the date of such termination, furlough or layoff. Section 3.11(e) of the Seller Disclosure Schedules shall be updated to reflect all such terminations, furloughs and layoffs as reasonably requested in writing by Purchaser during the ninety (90) days preceding the Closing Date. In the past three (3) years, there has been no plant closing, mass layoff, or similar event within the meaning of the Worker Adjustment and Retraining Notification Act or any similar Law.

Section 3.12. Contracts

(a) Section 3.12 of the Seller Disclosure Schedules contains a true, accurate and complete list of each Contract (other than purchase orders, statements of work and invoices) (together with all amendments and supplements thereto) in effect as of the date hereof to which the Company, any Company Subsidiary or any of their respective assets is a party to or bound by and which falls within any of the following categories (each, a "Company Material Contract"):

(i) any Contract that (A) limits or restricts in any material respect the Company or any Company Subsidiary from competing, engaging in any line of business, developing, marketing or distributing products or services or in any geographic area or with any Person or that would otherwise materially limit the freedom of the Company from engaging in any material line of business after the Closing, (B) grants any right of first refusal, right of first offer, or similar preferential right with respect to the Equity Interests or any material assets, rights, or properties of the Company or the Company Subsidiaries, or (C) is with one of the twenty (20) largest customers of the Company Group (determined on the basis of consolidated revenues received by the Company Group in the fiscal year ended December 31, 2020) and which obligates the Company or any Company Subsidiary to conduct business on an exclusive basis or that contains a "most favored nation" or similar covenant, except with respect to (A) through (C) above, for any such Contract that may be cancelled without penalty by the Company or any other Group Company upon notice of ninety (90) days or less;

(ii) any Contract (excluding purchase orders, statements of work or similar ancillary documents) with the twenty (20) largest customers of the Company Group (determined on the basis of consolidated revenues received by the Company Group in the fiscal year ended December 31, 2020) and (A) pursuant to which any Group Company received aggregate payments in excess of

\$5,000,000 during the fiscal year ended December 31, 2020, or (B) that the Company reasonably anticipates will, in accordance with its terms, involve aggregate payments to any Group Company in excess of \$5,000,000 within the twelve (12) month period from and after the date of this Agreement;

(iii) any master purchase, supply or service Contract (for the avoidance of doubt, excluding purchase orders, statements of work and standard confidentiality agreements) with the twenty (20) largest suppliers to or subcontractors for the Company or the Company Subsidiaries (determined on the basis of consolidated purchase orders issued to, or purchase commitments binding on, the Company Group in the fiscal year ended December 31, 2020) and (A) pursuant to which the Company made aggregate payments in excess of \$3,000,000 during the fiscal year ended December 31, 2020, or (B) that the Company reasonably anticipates will, in accordance with its terms, involve aggregate payments by the Company in excess of \$3,000,000 within the twelve (12) month period from and after the date of this Agreement;

(iv) any Contract (i) relating to Indebtedness (such term being used in this clause (iv) without giving effect to the proviso at the end of the definition of “Funded Debt” in excess of \$500,000 individually or \$1,000,000 in the aggregate or (ii) constituting a guarantee by the Company or the Company Subsidiaries in support of any such Indebtedness, performance or payment obligation of (x) Seller or any of its Affiliates (other than a Group Company) or (y) any Group Company, except, in each case of clauses (i) and (ii), for Contracts relating to Indebtedness solely between the Company and a wholly owned Company Subsidiary or between wholly owned Company Subsidiaries;

(v) any Contract pursuant to which (i) the Company or any Company Subsidiary is a licensee or has been granted license or other rights (including rights granted on a service basis) of any Intellectual Property Rights that are owned by any other Person and material to the Business (other than “off-the-shelf” or “shrink-wrap” licenses for commercially available software or standard commercial service offerings that are not negotiated, and generally available on standard terms with annual license fees of less than \$500,000 per software title), (ii) the Company or any Company Subsidiary is a licensor or has granted to any other Person any license or other rights under any material Company Owned Intellectual Property (other than non-exclusive licenses granted in the ordinary course of business), and (iii) any Intellectual Property Right that is or has been developed by or for, or assigned to, any Group Company, or assigned by any Group Company to any other Person in the last twelve (12) months or makes any such future commitments and is material to the Business (the agreements listed in subsections (i) through (iii) above, the “Company IPR Agreements”);

(vi) any partnership, joint venture, limited liability company agreement, or other Contract relating to the formation, creation, operation, management, or control of any material joint venture or similar co-investment arrangement between the Company or any Company Subsidiary, on the one hand, and a third party, on the other hand (for the avoidance of doubt, other than in respect of an Affiliate Transaction or Interest);

(vii) any Contract for employment with any Business Employee or engagement with any independent contractor providing for annual base compensation in excess of \$300,000;

(viii) any Labor Agreement;

(ix) any Contract in respect of an Affiliate Transaction or Interest;

- (x) any agreement relating to any interest rate, foreign exchange, derivatives or hedging transactions;
- (xi) settlement, conciliation, or similar Contracts with respect to any Action pursuant to which the Company or any of the Company Subsidiaries will be required to pay an amount in excess of \$500,000 or satisfy material non-monetary obligations after the date of this Agreement;
- (xii) any “take or pay” agreements involving obligations of the Company or its Subsidiaries in excess of \$100,000; and
- (xiii) any Contract relating to (A) the acquisition (by merger, consolidation, purchase of stock or assets, or otherwise) by the Company or any Company Subsidiary of any Person, a material portion of the assets of any Person, or any business, division or product line or (B) the divestiture or disposition by the Company or any Company Subsidiary of a material portion of its properties or assets, or any of its Equity Securities, in each case of clauses (A) and (B), pursuant to which, after the date hereof, the Company Group will have a material obligation;
- (xiv) any Contract pursuant to which the Company Group is obligated to make future capital expenditures in excess of \$500,000 individually, or in excess of \$1,000,000 in the aggregate;
- (xv) any Contract that obligates the Company or any Company Subsidiary to make a loan or capital contribution to, or investment in, any Person (other than any other Group Company and other than advances to employees in the ordinary course of business), in each case, (A) in excess of \$100,000 on an annual basis or \$250,000 in the aggregate and (B) under which the Business or any Group Company has any outstanding obligation to make such loan or capital contribution;
- (xvi) any Contract under which: (A) the Company or any Company Subsidiary is the lessor of, or makes available for use by any third party, any equipment or other tangible property owned by the Company Group (other than IT Assets) or (B) the Company or any Company Subsidiary is the lessee of, or is provided the use of, any equipment or other tangible property owned by any third party (other than IT Assets), in each case of clauses (A) and (B) for outstanding payment obligations as of the date hereof of more than \$500,000 in the aggregate;
- (xvii) any material distribution, dealer, representative, sales agency or similar Contract;
- (xviii) any Contract with any Governmental Entity providing for annual payments paid or received by the Company Group during the 12-month period ended December 31, 2020 in excess of \$300,000;
- (xix) any Shared Contract; and
- (xx) all agreements that prohibit the payment of distributions in respect of the Equity Interests or the capital stock of any Company Subsidiary, prohibit the pledging of the Equity Interests or the capital stock of the Company or any Company Subsidiary or prohibit the issuance of guarantees by the Company or any of Company Subsidiary, in each case that will not be terminated at or prior to the Closing.

True, correct and complete copies of each Company Material Contract, including all amendments and supplements thereto have been made available by Seller to Purchaser prior to the date of this Agreement.

(b) Except as would not, individually or in the aggregate, have a Company Material Adverse Effect: (i) subject to the Enforceability Exceptions, each Company Material Contract is a valid and binding obligation of the Company or the Company Subsidiary party thereto and, to the Knowledge of Seller, of the other party or parties thereto, enforceable in accordance with its terms against the Company or the Company Subsidiary party thereto and, to the Knowledge of Seller, the other party or parties thereto, and is in full force and effect, in each case, subject to the Enforceability Exceptions; (ii) the Company and/or each Company Subsidiary party thereto has performed all material obligations required to be performed by it under each Company Material Contract and is not otherwise in default or breach thereof and, to the Knowledge of Seller, each other party to each Company Material Contract has performed all obligations required to be performed by it under such Company Material Contract; (iii) as of the date of this Agreement, neither the Company nor any Company Subsidiary has received or delivered written notice of any actual or alleged violation or default under or the intention to terminate (nor, to the Knowledge of Seller, does there exist any condition which upon the passage of time or the giving of notice or both would cause a violation of or default under or give rise to a right to terminate) any Company Material Contract; and (iv) no event has occurred which (with or without notice or lapse of time or both) would constitute a breach or default under any Company Material Contract.

Section 3.13. Litigation

(a) Except for Proceedings and Judgments that would not reasonably be expected to involve, individually or in the aggregate, losses to the Company of more than \$250,000, as of the date of this Agreement (i) there is no Proceeding pending or, to the Knowledge of Seller, threatened against or directly related to any Group Company (including in relation to Seller's Equity Interests in the Company), and (ii) neither Seller nor any Group Company is subject to any Judgment.

(b) As of the date of this Agreement, there are no Proceedings (excluding counterclaims) that Seller or any Group Company presently intends to initiate against another Person that, if determined adversely to Seller or any Group Company, as applicable, would have a Company Material Adverse Effect.

Section 3.14. Environmental Matters

(a) Except where failure to comply would not have a Company Material Adverse Effect: (i) no Group Company is, or during the past three (3) years has been, in violation of any applicable Environmental Law; (ii) the Company Group has all permits, authorizations and approvals required under any applicable Environmental Laws for the operation of its respective businesses as currently conducted, and is, and for the past three (3) years has been, in compliance with the requirements of such permits, authorizations and approvals; (iii) no Group Company has received written notice of any pending or threatened Proceedings under any Environmental Law against any Group Company; (iv) there has been no Release of Hazardous Materials by any Group Company or, to the Knowledge of Seller, by any other Person, at, on, under or affecting any real property currently or formerly owned, leased or operated by any Group Company in violation of Environmental Law, that requires investigation or remediation by any Group Company, or that would reasonably be expected to result in a Proceeding by any private party or Governmental Entity under any applicable Environmental Laws against any Group Company; and (v) no Group Company has exposed any Person to Hazardous Materials in violation of Environmental Law or in a manner or amount that would reasonably be expected to result in a Proceeding by any private party or Governmental Entity against any Group Company.

Section 3.15. Intellectual Property

(a) Section 3.15(a) of the Seller Disclosure Schedules identifies, as of the date of this Agreement, each registration or application for registration of (i) patents, (ii) trademarks, (iii) copyrights

and (iv) domain names, in each case of the foregoing, included in the Company Owned Intellectual Property and, specifying as to each such item, as applicable, the owner(s) of record (and, in the case of domain names, the registrant, and in the case of social media accounts, the account holder), jurisdiction of application and/or registration, the application and/or registration number, and the date of application and/or registration. Except as would not have a Company Material Adverse Effect, and except as set forth in Section 3.15(a) of the Seller Disclosure Schedules, each item of Intellectual Property Right required to be identified in Section 3.15(a) of the Seller Disclosure Schedules: (X) is registered and/or recorded in the name of any Group Company, is in full force, has been duly applied for and registered, as applicable, in accordance with applicable Law; and (Y) is not involved in any opposition, cancellation, interference, inter partes review, reissue, reexamination or other similar proceeding.

(b) The Company Group exclusively owns the Company Owned Intellectual Property, free from any Lien, except for Permitted Liens and the Company IPR Agreements listed in Section 3.12(a)(v)(ii). The Company Owned Intellectual Property are subsisting, unexpired and, to the Knowledge of the Company, valid and enforceable.

(c) Since January 1, 2017, (i) no Proceedings have been instituted or are pending, or have been threatened in writing against, the Company or any of the Company Subsidiaries, that challenge the Company's or the Company Subsidiaries' ownership or use of the Company Owned Intellectual Property, (ii) neither the Company nor any Company Subsidiary has received any written notice or written threat alleging the invalidity or unenforceability of any Company Owned Intellectual Property or that any Group Company requires any license with respect to, or is infringing, misappropriating, diluting or otherwise violating the Intellectual Property Rights of any third party, (iii) neither the Company nor any Company Subsidiary has sent any written notice or written threat of any action or claim against any Person involving or relating to any Company Owned Intellectual Property, and (iv) no Person has notified the Company or any Company Subsidiary in writing that it is claiming any ownership of or right to use any Company Owned Intellectual Property, in each case, other than any such matters that have been resolved prior to the date of this Agreement.

(d) The Company and each Company Subsidiary have taken commercially reasonable steps to safeguard and maintain the secrecy and confidentiality of all trade secrets included in the Company Owned Intellectual Property (including any confidential information owned by any Person to whom any member of the Company Group has confidentiality obligations).

(e) Except as would not, individually or in the aggregate, have a Company Material Adverse Effect, taken as a whole, the conduct of the Business as currently conducted and the products and services of the Company Group do not infringe, misappropriate or otherwise violate, and since January 1, 2018 have not infringed, misappropriated or otherwise violated, the Intellectual Property Rights of any third party. To Knowledge of Seller, no third party is infringing on, misappropriating or otherwise violating, and since January 1, 2018 has not infringed, misappropriated or otherwise violated, any Company Owned Intellectual Property in any material respect.

(f) The Company Group have secured from all inventors, authors and other persons who participated in the conception, reduction to practice, creation or development of any Intellectual Property Rights owned or purported to be owned by the Company Group (each, an "Inventor") (including the Company Group's employees, consultants or contractors), sole legal and beneficial ownership of each Inventor's right, title and interest in such Intellectual Property Rights. Without limiting the foregoing and except as would not have a Company Material Adverse Effect, each Inventor has executed a written and, to the Knowledge of Seller, enforceable agreement in favor of the Company Group providing for the non-disclosure by such Person of confidential information and assignment of all right, title and interest to such

Intellectual Property Rights to the Company Group, which agreement includes a present tense assignment of present and future inventions.

(g) All material software included in the Company Owned Intellectual Property (“Company Software”) that is distributed to customers is distributed pursuant to an end user license agreement that has been made available to the Purchaser. No Company Software nor tangible embodiments thereof have been placed in escrow. No material Company Software were developed in whole or in part using any software, software development toolkits, databases, libraries, scripts, or other, similar modules of software that are subject to “open source” or similar license terms in a manner that requires or purports to require the Company Group to grant any license or other right with respect to Intellectual Property Rights included in such Company Software.

(h) Except as would not, individually or in the aggregate, have a Company Material Adverse Effect, the Company Group has established and maintains appropriate technical, physical and organizational measures and security systems and technologies, and policies and procedures, including a written information security program, regarding data security, privacy, data transfer and the use of data (the “Data Protection Program”) designed to (i) comply with all applicable Laws in relation to data protection and the security of all confidential or proprietary information of the Company Group, including Personal Data (“Company Data”) and contractual commitments of the Company Group and any published privacy policies, and (ii) protect Company Data against accidental or unlawful access, processing or use. Except as would not, individually or in the aggregate, have a Company Material Adverse Effect, the Company Group’s practices with regard to the collection, dissemination and use of Company Data are and have been at all times since January 1, 2018 in compliance with all applicable Laws relating to data protection and Personal Data, contractual commitments of the Company Group and any published privacy policies. Since January 1, 2018, (i) the Company Group have not received any notification or allegation from any competent authority (including any information or enforcement notice, or any transfer prohibition notice) alleging that any Group Company has not complied in any respect with applicable Laws relating to data protection or Personal Data, (ii) there has been no loss of, or unauthorized access, use, disclosure or modification of any Company Data, (iii) no individual has received compensation (or an offer for compensation) from the Company Group for breaches of applicable data protection Laws or for loss or unauthorized disclosure of Personal Data and (iv) no individual has received compensation from the Company Group for any malware or ransomware attacks.

(i) The Company Group’s owned or controlled IT Assets relating to the transmission, storage, maintenance, processing or collection of data, including Company Data (“Company IT Systems”), are sufficient for the Company Group’s current needs in the operation of the Business as presently conducted in all material respects and have not materially malfunctioned or failed since January 1, 2018 (other than temporary problems that did not materially disrupt the operations of the Company Group and which have been corrected) and, to the Knowledge of the Company, are free of any Malicious Code and, since January 1, 2018, the Company Group has taken reasonable measures to provide for the back-up and recovery of the data and information, including personally identifiable information, necessary to the conduct of the business as currently conducted without disruption to, or interruption in, the conduct of the Business as currently conducted. Since January 1, 2018, except as would not, individually or in the aggregate, have a Company Material Adverse Effect, no person has gained unauthorized access to any Company IT Systems. The Company Group have taken commercially reasonable precautions (including by way of outsourcing to third parties), including establishing and maintaining contingency plans, back-up facilities and disaster recovery technology processes necessary to protect (a) the Company IT Systems against (i) failure and other interruptions of regular business operations, (ii) fire, explosion, flood, any other calamity and other interruptions of regular business operations and (iii) unauthorized access or manipulation by third parties.

Section 3.16. Taxes

(a) All income and other material Tax Returns that are required to have been filed with respect to any Group Company have been duly and timely filed, and all such Tax Returns were true, correct and complete in all material respects, and all income and other material Taxes due and owing by any Group Company (whether or not shown on any Tax Return) have been paid. No Group Company is the beneficiary of any extension of time within which to file any Tax Return which extension has continuing effect.

(b) The Company Group has withheld and paid all material Taxes required to have been withheld and paid in connection with any amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other third party.

(c) No Tax audit, examination, investigation or other proceeding relating to Taxes with respect to any Group Company is currently pending or being conducted. No Group Company has received from any foreign, federal, state, or local Taxing Authority (including where such Group Company does not file Tax Returns) any (i) notice indicating an intent to open an audit or other review, (ii) request for information related to Tax matters, or (iii) notice of deficiency or proposed adjustment for any amount of Tax proposed, asserted, or assessed by any Taxing Authority against such Group Company.

(d) No Group Company has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency which waiver or extension has continuing effect.

(e) No Group Company has been a United States real property holding corporation within the meaning of Code §897(c)(2) during the applicable period specified in Code §897(c)(1)(A)(ii).

(f) There are no Liens with respect to any Taxes on any of the assets of any Group Company, other than Permitted Liens.

(g) No written claim has ever been made by a Taxing Authority in a jurisdiction where a Group Company does not file a particular Tax Return to the effect that such Group Company is required to file such a Tax Return or may be subject to Tax in such jurisdiction.

(h) No Group Company (i) has been a member of an affiliated group or filed or been included in a consolidated federal income Tax Return or any consolidated, combined, unitary, aggregate group or similar affiliated group for tax purposes under any state, local or foreign law (in each case, other than any consolidated, affiliated, combined, unitary or other Tax group of which a Group Company or Parent is the common parent); (ii) has any liability for the Taxes of any Person (other than any other Group Company or Parent) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or non-U.S. law) or as a transferee, successor or by contract, (iii) is a party to or bound by or liable for any Taxes as a result of, any Tax allocation, Tax indemnification or Tax sharing agreement or arrangement (other than commercial agreements or arrangements entered into in the ordinary course of business and the principal subject matter of which is not Taxes) ("Tax Sharing Agreements"), or (iv) has been either a "distributing corporation" or a "controlled corporation" in a transaction intended to be governed by Section 355 or Section 361 of the Code.

(i) The U.S. federal income tax classification of each Group Company is set forth on Section 3.16(i) of the Seller Disclosure Schedules.

(j) The unpaid Taxes of the Company Group (A) do not exceed the reserve for Tax liabilities (excluding any reserve for deferred Taxes established to reflect timing differences between book and Tax

income) set forth on the face of the Business Financial Statements (rather than in any notes thereto) and (B) do not exceed that reserve as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of the Company Group in filing its Tax Returns.

(k) No Group Company will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period (or portion thereof) beginning after the Closing Date as a result of any (i) change in method of accounting for a taxable period ending on or prior to the Closing Date; (ii) “closing agreement” as described in Code §7121 (or any corresponding or similar provision of state, local or foreign income Tax law) executed on or prior to the Closing Date; (iii) intercompany transaction or excess loss account described in Treasury Regulations under Code §1502 (or any corresponding or similar provision of state, local or foreign income Tax law); (iv) an election pursuant to Section 965(h) of the Code; (v) installment sale or open transaction disposition made on or prior to the Closing Date; (vi) prepaid amount received on or prior to the Closing Date; or (vii) relief from Taxes granted under Section 2302 of the CARES Act and any other relief from U.S. federal income tax granted with respect to Taxes in response to the COVID-19 pandemic.

(l) No Group Company has been party to a transaction that is a “listed transaction” or a “transaction of interest” within the meaning of Code §6707A and Treasury Regulations Section 1.6011-4 (or analogous provisions of state, local, or non-U.S. Tax Law). No Group Company has received any letter ruling from the Internal Revenue Service (or any comparable ruling from any other Taxing Authority).

(m) No Group Company (A) is a “controlled foreign corporation” as defined in Code §957, (B) is a “passive foreign investment company” within the meaning of Code §1297, or (C) has a permanent establishment (within the meaning of an applicable Tax treaty) or otherwise has an office or fixed place of business in a country other than the country in which it is organized.

(n) Neither the Company nor any of its Subsidiaries has deferred the employer’s share of any “applicable employment taxes” (as defined in Section 2302(d)(1) of the CARES Act) in respect of calendar year 2020 pursuant to Section 2302 of the CARES Act, which Taxes would otherwise have been payable by the Company or any of its Subsidiaries in respect of calendar year 2020 but for the application of the CARES Act.

(o) Notwithstanding anything in this Agreement to the contrary, this Section 3.16 contains the sole and exclusive representations and warranties of Seller regarding Tax matters, other than the representations and warranties set forth in Section 3.8 or Section 3.10. Nothing in this Agreement, including this Section 3.16, shall be construed as providing a representation or warranty with respect to (i) any Post-Closing Tax Period or (ii) the existence, amount, expiration date or limitations on (or availability of) any Tax attribute.

Section 3.17. Insurance

. The Seller and its Affiliates maintain insurance coverage with reputable and financially sound insurers, or maintains self-insurance practices, in such amounts and covering such risks as are in accordance with customary industry practice for companies engaged in businesses similar to the Business. Section 3.17 of the Seller Disclosure Schedules sets forth, as of the date of this Agreement, a complete and accurate list of all material policies or binders of insurance covering the Company Group, including material self-insurance arrangements, relating to the business, equipment, properties, employees, officers, directors, assets or operations of the Company Group, in each case held by the Seller or its Affiliates (the “Insurance Policies”) and denotes those held directly by the Company Group which will remain with the Company Group after Closing. Seller has made available to Purchaser true, correct and complete copies of all Insurance Policies. Each of the Insurance Policies is in full force and effect, all premiums due and payable covering all periods up to and including the date hereof have been timely paid in full when due and each of Seller, its Affiliates and the Company Group are in compliance in all material

respects with the terms and conditions of such Insurance Policies. Since January 1, 2018, neither Seller, any of its Affiliates nor any Group Company has received any written notice regarding any invalidation, cancellation, non-renewal or termination of any Insurance Policy that has not been renewed in the ordinary course without any lapse in coverage. Since January 1, 2018, there has not been any material claim pending or notice received by Seller, its Affiliates or any Group Company under any such Insurance Policy that (a) to the Knowledge of Seller, has been denied or disputed by the insurer thereof or (b) if not paid, would not reasonably be expected to be, individually or in the aggregate, materially adverse to the Company Group, taken as a whole.

Section 3.18. Properties and Assets

. Except as would not reasonably be expected to be, individually or in the aggregate, materially adverse to the Company Group, taken as a whole, (a) each of the Company and the Company Subsidiaries has good and valid title to, or a valid leasehold interest in or valid license to, each of its assets and properties used by them that are reflected in the Business Financial Statements or acquired after the date thereof or that are otherwise material to the Business, in each case, free from any Lien, except for Permitted Liens, (b) any Permitted Liens on the assets and properties, individually or in the aggregate, do not materially interfere with the current use of any such asset or property by the Company or any of the Company Subsidiaries or materially detract from the value of any such asset or property, (c) all the tangible personal property owned by the Company Group is in good operating condition and repair for its continued use as it has been used in the ordinary course of business, subject to reasonable wear and tear, and (d) to the Knowledge of Seller, there are no facts or conditions affecting any assets or properties that, with or without notice or the lapse of time, or both, would reasonably be expected, individually or in the aggregate, to interfere with the use, occupancy or operation of such assets or properties as of the date of this Agreement and as of the Closing Date.

Section 3.19. Real Property

. Section 3.19 of the Seller Disclosure Schedules sets forth an accurate and complete list of all real property leased, licensed or occupied by the Company or any Company Subsidiary (collectively, the "Leased Real Property"). Except for the Leased Real Property, there are no other real properties leased, licensed or occupied by the Company or any Company Subsidiary. All Leased Real Property is held under written leases, subleases, licenses or other occupancy agreements (including all amendments, modifications, guaranties and other agreements with respect thereto, collectively, the "Real Property Leases") that are valid instruments and binding obligations of the Group Company party thereto and, to the Knowledge of Seller, of the other party or parties thereto, enforceable in accordance with their respective terms against the Group Company party thereto and, to the Knowledge of Seller, the other party or parties thereto, in each case subject to the Enforceability Exceptions. Section 3.19 of the Seller Disclosure Schedules sets forth an accurate and complete list of all Real Property Leases, specifying the name of the lessor, lessee or current occupant (if different from lessee) and the address thereof. The Company has made available, or caused to be made available, to Purchaser true, correct and complete copies in all material respects of the Real Property Leases. The Company or the applicable Company Subsidiary party to the respective Real Property Lease has good and valid title to the leasehold estate under such Real Property Lease, free and clear of any Liens other than Permitted Liens, and, except as would not reasonably be expected to be, individually or in the aggregate, materially adverse to the Company Group, taken as a whole, none of the Company nor any of the Company Subsidiaries is in default under any Real Property Lease. All of the material buildings, fixtures and other improvements located on the Leased Real Property are reasonably adequate and suitable for the purpose of conducting the Business as presently conducted (ordinary wear and tear excepted). Neither the Company nor any of its Subsidiaries is a lessor, sublessor or grantor under any lease, sublease or other instrument granting to another Person any right to the possession, lease, occupancy or enjoyment of the Leased Real Property. No member of the Company Group owns or, since January 1, 2018 has owned, any real property. Notwithstanding this Section 3.19, no representation is made under this Section 3.19 with respect to any Intellectual Property Rights.

Section 3.20. Brokers

. None of Seller, the Company Group or any director, officer, employee or Affiliate of the Company Group has incurred or will incur on behalf of Seller or the Company Group any brokerage, finders', financial advisory or similar fee in connection with the transactions contemplated by this Agreement, including the Transactions.

Section 3.21. Affiliated Transactions

. Except (x) as set forth on Section 3.21 of the Seller Disclosure Schedules, (y) pursuant to any employment or director indemnification agreement or arrangement or Contract with any employee, officer or director with respect to the issuance of Equity Securities of the Company or any Company Subsidiary, or (z) for Contracts between the Company and any wholly owned Company Subsidiary or between any wholly owned Company Subsidiaries, no officer, member of the board of directors (or similar governing body) or Affiliate of the Company or any of its Subsidiaries or any individual in any officer's or director's immediate family is a party to any Contract or has in the past 12 months been party to any transaction with the Company or any of its Subsidiaries or has any interest in any material property used by the Company or any of its Subsidiaries (collectively, "Affiliate Transactions or Interests"), nor do any such Persons have any claim against any Group Company.

Section 3.22. Title; Sufficiency of Assets

. Except as disclosed in Section 3.22 of the Seller Disclosure Schedules, and except as would not reasonably be expected to be, individually or in the aggregate, materially adverse to the Company and the Company Subsidiaries, taken as a whole, immediately following the Closing, the Company Group will, (x) assuming the receipt of all Approvals required for the consummation of the Transaction and the other transactions contemplated by this Agreement and the Company Permits and (y) taking into account the Transaction Documents and all of the assets, services, products, real property, Intellectual Property Rights to be provided, acquired, leased or licensed under the Transaction Documents, own or be licensed to use all of the assets, rights and properties currently owned by Seller or any of its Affiliates (other than the Company Group) that are necessary to conduct the Business in all material respects in the substantially same manner as it is conducted as of the date hereof and as of immediately prior to the Closing; provided, however, that nothing in this Section 3.22 shall be deemed to constitute a representation or warranty as to the adequacy of amounts of cash or working capital (or the availability of the same) or the non-infringement of Intellectual Property Rights; provided, further, that this Section 3.22 shall not be deemed to be breached as a result of (i) any action that Seller or the Company is required or expressly permitted to take pursuant to this Agreement or the Transaction Documents or for which Purchaser has provided its written consent or (ii) the failure to obtain any third party Approval.

Section 3.23. CARES Act

. Except as listed in Section 3.23 of the Seller Disclosure Schedule, no Group Company has received or applied for any CARES Act benefits and no CARES Act benefits are payable to any Group Company. As of the Closing Date, the Company Group will have submitted all attestations and other reports required in connection with the CARES Act and any CARES Act benefits received by, applied for by, or payable to any Group Company, except where the failure of any of the preceding does not have, and would not reasonably be expected to be, individually or in the aggregate, materially adverse to the Company Group, taken as a whole.

Section 3.24. No Other Representations or Warranties

. Purchaser acknowledges that (a) none of Seller or any of its Affiliates has made any representation or warranty, expressed or implied, as to the Equity Interests, the Business, the Company Group or any of its assets, the Company Group's financial condition, results of operations, future operating or financial results, estimates, projections, forecasts, plans or prospects (including the reasonableness of the assumptions underlying such estimates, projections, forecasts, plans or prospects) or the accuracy or completeness of any information regarding the Equity Interests, the Business, the Company Group or any of its assets furnished or made available to Purchaser or any of its Affiliates or Representatives, except as expressly set forth in either (i) this Article III as modified by the Seller Disclosure Schedules, or (ii) in any certificate delivered hereunder or in any other Transaction Document, (b) Purchaser has not relied on any representation or warranty from Seller, the Company Group or any of their respective Affiliates in determining to enter into this Agreement, except as expressly set forth in either (i) this Article III as modified by the Seller Disclosure Schedules, or (ii) in any certificate delivered hereunder or in any other Transaction

Document, and (c) none of Seller, the Company Group or any of their respective Affiliates shall have or be subject to any Liability to Purchaser or any of its Affiliates or Representatives resulting from the distribution to Purchaser or its Affiliates or Representatives, or Purchaser's or its Affiliates' or Representatives' use of, any such information, including any information, documents or material made available to Purchaser or any of its Affiliates or Representatives in any "data rooms," management presentations or in any other form in expectation of or negotiation of this Agreement, the Transaction and the other transactions contemplated hereby. Purchaser acknowledges that, should the Closing occur, Purchaser shall acquire the Equity Interests and the assets of the Company Group without any representation or warranty as to merchantability or fitness thereof for any particular purpose, in an "as is" condition and on a "where is" basis, except as otherwise expressly set forth in this Agreement.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Except as set forth in the Purchaser Disclosure Schedules (it being agreed that the disclosure of any matter in any section in the Purchaser Disclosure Schedules shall be deemed to have been disclosed in any other section in the Purchaser Disclosure Schedules to which the applicability of such disclosure is reasonably apparent on its face), Purchaser hereby represents and warrants to Seller as follows:

Section 4.1. Organization and Qualification

. Purchaser is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware. Purchaser has all the requisite limited liability or corporate power and authority to own, lease and operate its properties and assets and to carry on its business as it is now being conducted. Purchaser is duly qualified to do business and is in good standing in each jurisdiction where the ownership, leasing or operation of its properties or assets or the conduct of its business requires such qualification, except where the failure to be so qualified or in good standing would not, or would not reasonably be expected to, prevent or materially impede the ability of Purchaser to (a) perform its obligations under this Agreement or any other Transaction Document or (b) consummate the Transaction and the other transactions contemplated hereby (each of clause (a) and clause (b), a "Purchaser Material Adverse Effect").

Section 4.2. Authority; Execution and Delivery; Enforceability

. Each of Purchaser and its Affiliates has all necessary power and authority to execute this Agreement and the Transaction Documents to which Purchaser or such Affiliate, as applicable, is a party (or will be a party when executed after the date hereof) and to perform Purchaser's or such Affiliate's, as applicable, obligations hereunder and thereunder, and to consummate the Transaction and the other transactions contemplated hereby and thereby. The execution and delivery by Purchaser and its Affiliates of this Agreement and the Transaction Documents to which Purchaser or any of its Affiliates, as applicable, is a party (or will be a party when executed after the date hereof), the performance of Purchaser's or such Affiliate's, as applicable, obligations hereunder and thereunder and the consummation by Purchaser or such Affiliate, as applicable, of the Transaction and the other transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate or other action of Purchaser or such Affiliate, as applicable. Purchaser has duly executed and delivered this Agreement, and assuming due authorization, execution and delivery by Seller, this Agreement and other Transaction Documents to which Purchaser or any of its Affiliates, as applicable, is a party (or will be a party when executed after the date hereof) will constitute a valid and binding obligation of Purchaser or such Affiliate, as applicable, enforceable against it in accordance with its terms, subject to the Enforceability Exceptions.

Section 4.3. No Conflicts

. None of the execution, delivery or performance by Purchaser or any of its Affiliates, as applicable, of this Agreement or any Transaction Document to which Purchaser or such Affiliate, as applicable, is a party (or will be a party when executed after the date hereof), the consummation by Purchaser or such Affiliate, as applicable, of the Transaction or any other transaction contemplated by this Agreement or any such applicable Transaction Document, or Purchaser's or such Affiliate's compliance with any of the provisions of this Agreement or any such applicable Transaction Document will (with or without notice or lapse of time, or both):

(a) conflict with, breach or violate any provision of the organizational documents of Purchaser;

(b) assuming that all consents, approvals, authorizations and permits described in Section 4.4 have been obtained and all filings and notifications described in Section 4.4 have been made and any waiting periods thereunder have terminated or expired, conflict with or result in a violation or breach of any Law applicable to Purchaser or any of its properties or assets; or

(c) require any notice, consent or approval under, violate, conflict with, result in any breach of or any loss of any benefit under, or constitute a change of control or default under, or result in termination or give to others any right of termination, vesting, amendment, acceleration or cancellation of, or result in the creation of a Lien upon any of the rights, respective properties or assets of Purchaser or any of its Affiliates pursuant to any Contract to which Purchaser or any of its Affiliates is a party, except, in each case of clauses (b) and (c) of this Section 4.3, for any such conflicts, violations, consents, breaches, losses, changes of control, defaults, other occurrences or Liens as would not have a Purchaser Material Adverse Effect.

Section 4.4. Required Filings and Consents

. None of the execution, delivery or performance of this Agreement or any Transaction Document to which Purchaser is a party by Purchaser, the consummation of the Transaction or any other transaction contemplated by this Agreement, or Purchaser's compliance with any of the provisions of this Agreement will require (with or without notice or lapse of time, or both) any declaration, consent, approval, authorization or permit of, or filing or registration with or notification to, any Governmental Entity, other than (a) compliance with any applicable Antitrust Laws of the jurisdictions set forth on Section 4.4 of the Purchaser Disclosure Schedules, and (b) where the failure to obtain such declarations, consents, approvals, authorizations or permits of, or to make such filings, registrations with or notifications to, any Governmental Entity would not have a Purchaser Material Adverse Effect.

Section 4.5. Financial Ability to Perform

. Purchaser affirms that it is not a condition to the Closing that Purchaser obtain financing for the consummation of the transactions contemplated by this Agreement. Purchaser has delivered to Seller true, complete and correct copies of: (a) the executed commitment letter, dated as of the date hereof between Purchaser and PNC Bank, National Association (together with any other Person that provides a commitment under the Debt Commitment Letter or any Alternative Financing Commitment Letter, the "Debt Financing Sources") (including all exhibits, schedules and annexes thereto, and the executed fee letter associated therewith redacted in a manner as described below, collectively, the "Debt Commitment Letter"), pursuant to which the Debt Financing Sources have committed, subject to the terms and conditions set forth therein, to provide the aggregate amounts set forth therein (the "Debt Financing") for the purposes of funding the Financing Uses and (b) the executed commitment letter, dated as of the date hereof, among Purchaser, the Guarantor and the other parties thereto (including all exhibits, schedules and annexes thereto, the "Equity Commitment Letter" and, together with the Debt Commitment Letter, the "Commitment Letters"), pursuant to which the Guarantor has committed, subject to the terms and conditions set forth therein, to invest cash in the aggregate amount set forth therein (the "Equity Financing" and, together with the Debt Financing, the "Financing"). The Equity Commitment Letter provides, subject to the terms and conditions thereof, that Seller is a third party beneficiary thereto.

None of the Commitment Letters have been amended, supplemented or modified prior to the date of this Agreement, no such amendment, supplement or modification is contemplated or pending as of the date of this Agreement, and as of the date of this Agreement, the respective commitments contained in the Commitment Letters have not been withdrawn, terminated or rescinded in any respect and no such withdrawal, termination or rescission is contemplated. Except for the fee letter referred to above, a complete copy of which has been provided to Seller, with only fee amounts and other economic terms contained therein redacted (provided that Purchaser represents and warrants that such redacted provisions in such fee letters do not permit the imposition of any new or additional conditions (or the modification or expansion of any existing conditions) with respect to the Debt Financing to be funded on the Closing Date or any reduction in the amount of the Debt Financing) and customary expense reimbursement letters with respect to the Debt Financing (none of which contain provisions adversely affect the amount, conditionality, enforceability, termination or availability of the Debt Financing), there are no side letters or Contracts to which Purchaser is a party related to the provision, funding or investing, as applicable, of the Financing or the transactions contemplated hereby other than as expressly set forth in the Commitment Letters delivered to Seller prior to the date hereof. Purchaser has fully paid any and all commitment fees or other fees in connection with the Commitment Letters to be paid on or before the date of this Agreement, and, subject to the terms of the Commitment Letters, will pay any and all such fees due on or before the Closing Date in accordance with the terms of the Commitment Letters. As of the date hereof, the Commitment Letters are in full force and effect and are the legal, valid, binding and enforceable obligations of Purchaser and, to the Knowledge of Purchaser, each of the other parties thereto, subject to the Enforceability Exceptions, and, assuming satisfaction or waiver of the conditions to Closing in Section 7.1 and Section 7.2, Purchaser is not aware of any fact or occurrence existing on the date hereof that would or would reasonably be expected to prevent the funding of the Financing on the Closing Date in an amount not less than the Financing Uses. There are no conditions or other contingencies related to the provision, funding or investing of the amount of the Financing on the Closing Date in an amount not less than the Financing Uses (including pursuant to any market flex provisions in the fee letter or otherwise), other than as expressly set forth in the Commitment Letters delivered to Seller prior to the date hereof. As of the date hereof, no event has occurred which, with or without notice, lapse of time or both, would or would reasonably be expected to (i) constitute a default or breach on the part of Purchaser or, to the Knowledge of Purchaser, any other party thereto under any of the Commitment Letters, (ii) constitute a failure to satisfy a condition on the part of Purchaser or, to the Knowledge of Purchaser, any other party thereto under the Commitment Letters or (iii) result in any portion of the amounts to be funded on the Closing Date in accordance with the Commitment Letters being unavailable on the Closing Date in an amount at least equal to the amount of Financing Uses. Assuming the Financing is funded and/or invested in accordance with the Commitment Letters, Purchaser will have on the Closing Date funds sufficient to (i) pay the aggregate Closing Purchase Price, (ii) pay any and all fees and expenses required to be paid by Purchaser on the Closing Date in connection with the transactions contemplated by this Agreement and the Financing, and (iii) assuming the accuracy of the representations in Section 3.12(a)(iv) and compliance with the covenant contained in Section 5.2(b)(vii) pay for any refinancing of any outstanding Indebtedness of the Company Group or the Business contemplated by this Agreement to be paid by Purchaser on the Closing Date (clauses (i) through (iii), the “Financing Uses”). Each of Purchaser affirms that it is not a condition to the Closing or any of its other obligations under this Agreement that Purchaser obtain the Financing or any other financing for or related to any of the transactions contemplated hereby.

Section 4.6. Guaranty

. Concurrently with the execution of this Agreement, each Guarantor has delivered to Seller a duly executed Guaranty. As of the date hereof, the Guaranty is valid, binding and enforceable in accordance with its terms, and is in full force and effect, subject in each case to the effect of any applicable Enforceability Exceptions. As of the date hereof, no event has occurred that, with or without notice, lapse of time, or both, would reasonably be expected to constitute a default or breach or a failure to satisfy a condition precedent on the part of any Guarantor under the terms and conditions of the Guaranty.

Section 4.7. Litigation

(a) As of the date of this Agreement, (i) there is no Proceeding pending or, to the Knowledge of Purchaser, threatened against or directly related to Purchaser or that challenges or seeks to prevent, enjoin or otherwise delay the Transaction, and (ii) Purchaser is not subject to any Judgment, in each case, that if determined adversely to Purchaser or any of its Affiliates, as applicable, would have a Purchaser Material Adverse Effect.

(b) As of the date of this Agreement, there are no Proceedings (excluding counterclaims) that Purchaser or any of its Affiliates presently intends to initiate against another Person that, if determined adversely to Purchaser or any of its Affiliates, as applicable, would have a Purchaser Material Adverse Effect.

Section 4.8. Brokers

. None of Purchaser or any director, officer, employee or Affiliate of Purchaser has incurred or will incur on behalf of Purchaser or any of its Affiliates any brokerage, finders', financial advisory or similar fee in connection with the transactions contemplated by this Agreement, including the Transactions.

Section 4.9. Investigation; Acquisition of Equity Interests for Investment

. Purchaser has such knowledge and experience in financial and business matters, and is capable of evaluating the merits and risks of the Transaction and the other transactions contemplated by this Agreement. Purchaser acknowledges that Seller has made available to Purchaser and its Affiliates and Representatives the opportunity to ask questions of the officers and management of Seller, the Company and the Business, as well as access to the documents, information and records of or with respect to the Business and the Company Group and to acquire additional information about the business and financial condition of the Company Group, and Purchaser acknowledges that it has made an independent investigation, analysis and evaluation of the Business and the Company Group. Purchaser is acquiring the Equity Interests for investment purposes and not with a view toward or for offer or sale in connection with any distribution thereof, or with any present intention of offering, distributing or selling any of the Equity Interests. Purchaser acknowledges that the Equity Interests have not been registered under the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the "Securities Act"), or any state securities Laws, and agrees that the Equity Interests may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of without registration under the Securities Act, except pursuant to an exemption from such registration available, or in a transaction not subject to registration, under the Securities Act and without compliance with foreign securities Laws, in each case, to the extent applicable. Purchaser is an "accredited investor" within the meaning of Rule 501 under the Securities Act, and any Equity Interests that Purchaser receives hereunder will be received only on its own behalf and its Affiliate assignees and not for the account or benefit of any other person or entity. Purchaser is able to bear the economic risk of holding the Equity Interests for an indefinite period (including, without limitation, total loss of its investment).

Section 4.10. Solvency

. On the Closing Date, immediately after giving effect to the consummation of the transactions contemplated by this Agreement (including the payment of the Closing Purchase Price, the Financing and payment of all related fees and expenses) and assuming (a) the accuracy of the representations and warranties contained in Article III, (b) the compliance by Seller and Company in all material respects with their respective obligations under this Agreement, (c) the satisfaction of the conditions to Purchaser's obligations to effect the Closing set forth in Sections 7.1 and 7.2, and (d) immediately prior to the Closing, the Company was Solvent, Purchaser will be Solvent as of the Closing Date and immediately after the consummation of the transactions contemplated by this Agreement. For purposes of this Agreement, "Solvent" means that, with respect to any Person, as of any date of determination, (a) the amount of the "fair saleable value" of the assets of such Person will, as of such date,

exceed the sum of (i) the value of all “liabilities of such Person, including contingent and other liabilities,” as of such date, as such quoted terms are generally determined in accordance with applicable Laws governing determinations of the insolvency of debtors, and (ii) the amount that will be required to pay the probable liabilities of such Person, as of such date, on its existing debts (including contingent and other liabilities) as such debts become absolute and mature, (b) such Person will not have, as of such date, an unreasonably small amount of capital for the operation of the businesses in which it is engaged or proposed to be engaged following such date and (c) such Person will be able to pay its liabilities, as of such date, including contingent and other liabilities, as they mature.

Section 4.11. No Other Representations or Warranties

. None of Purchaser or any of its Affiliates has made any representation or warranty, expressed or implied, except as expressly set forth in either (i) this Article IV as modified by the Purchaser Disclosure Schedules, or (ii) or in any certificate delivered hereunder or in any Transaction Document. Purchaser acknowledges that (a) none of Seller, the Company or any of their respective Affiliates has made any representation or warranty, express or implied, as to Seller, the Company or any of their respective Affiliates, their financial condition or the accuracy or completeness of any information regarding Seller, the Company or any of their respective Affiliates furnished or made available to Purchaser and its Affiliates and Representatives, except as expressly set forth in either (i) Article III as modified by the Seller Disclosure Schedules, or (ii) in any certificate delivered hereunder or in any other Transaction Document, and (b) Purchaser has not relied on any representation or warranty from Seller, the Company or any of their respective Affiliates in determining to enter into this Agreement, except as expressly set forth in either (i) Article III, as modified by the Seller Disclosure Schedules or (ii) any other Transaction Document.

ARTICLE V
COVENANTS

Section 5.1. Efforts

(a) Subject to the terms and conditions of this Agreement, each party hereto shall (and, in the case of Purchaser, cause each of its subsidiaries and Affiliates (collectively, the “Purchaser Group”) to) take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws and regulations to cause the conditions to Closing to be satisfied as promptly as reasonably practicable and advisable (and in any event no later than the Outside Date) and consummate the Transaction and the other transactions contemplated by this Agreement as soon as reasonably practicable, including preparing and filing as promptly as reasonably practicable and advisable all documentation to effect all necessary notices, reports and other filings, obtaining as promptly as reasonably practicable (and in any event no later than the Outside Date) all actions or nonactions, waivers, consents, registrations, expirations or terminations of waiting periods, approvals, permits and authorizations necessary or advisable to be obtained from any third party or any Governmental Entity in order to consummate the transactions contemplated by this Agreement and executing and delivering any additional instruments necessary to consummate the transactions contemplated by this Agreement. In furtherance and not in limitation of the foregoing, each party hereto agrees to make the appropriate foreign antitrust filings (or, for jurisdictions where submission of a draft prior to formal notification is appropriate, a draft thereof) listed in Section 5.1(a) of the Seller Disclosure Schedules with respect to the transactions contemplated hereby as promptly as practicable.

(b) Each of Purchaser, on the one hand, and Seller, on the other hand, shall, in connection with the efforts and obligations referenced in Section 5.1(a) to obtain all requisite approvals and authorizations or expiration of waiting periods for the transactions contemplated by this Agreement under any applicable Antitrust Law, use its respective best efforts to (i) consult and cooperate in all respects with each other in connection with any filing or submission and in connection with any investigation or other inquiry,

including any proceeding initiated by a private party; (ii) subject to applicable Law, furnish to the other party as promptly as reasonably practicable all information required for any application or other filing to be made by the other party pursuant to any applicable Law in connection with the transactions contemplated by this Agreement; (iii) promptly notify the other party of any substantive communication received by such party from, or given by such party to, the Federal Trade Commission (the “FTC”), the Antitrust Division of the Department of Justice (the “DOJ”) or any other U.S. or foreign Governmental Entity and of any substantive communication received or given in connection with any proceeding by a private party, in each case regarding any of the transactions contemplated hereby and, subject to applicable Law, furnish the other party promptly with copies of all correspondence, filings and communications between them and the FTC, the DOJ or any other Governmental Entity with respect to the transactions contemplated by this Agreement; (iv) respond as promptly as reasonably practicable to any inquiries received from, and supply as promptly as reasonably practicable any additional information or documentation that may be requested by the FTC, the DOJ or by any other Governmental Entity in respect of such registrations, declarations and filings or such transactions; and (v) permit the other party hereto to review any substantive communication given by it to, and consult with each other in advance, and consider in good faith the other party’s reasonable comments in connection with, any filing, notice, application, submission, communication, meeting or conference with, the FTC, the DOJ or any other Governmental Entity or, in connection with any proceeding by a private party, with any other Person; provided however that information may be shared with the other party in redacted form or on an “Outside-Counsel-Only” basis if the party producing the information determines in good faith that such procedures are reasonably necessary to prevent disclosure of privileged information, information about valuation of the transaction, or commercially or competitively sensitive information. For purposes of this Agreement, “Antitrust Law” means the Sherman Antitrust Act of 1890, the Clayton Antitrust Act of 1914, the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the “HSR Act”), the Federal Trade Commission Act of 1914 and all other federal, state and foreign, if any, statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition. No party hereto shall independently participate in any substantive meeting or communication with any Governmental Entity in respect of any such filings, investigation or other inquiry relating to Section 5.1(a) or Section 5.1(b) without giving the other party hereto sufficient prior notice of the meeting and, to the extent permitted by such Governmental Entity, the opportunity to attend and/or participate in such substantive meeting or communication.

(c) Notwithstanding anything to the contrary set forth in this Agreement, and in furtherance and not in limitation of the foregoing, Purchaser shall, and shall cause each member of the Purchaser Group to, take any and all steps necessary, proper or advisable to (x) resolve, avoid, or eliminate impediments or objections, if any, that may be asserted with respect to the transactions contemplated by this Agreement under any Antitrust Law or (y) avoid the entry of, effect the dissolution of, and have vacated, modified, suspended, eliminated, lifted, reversed or overturned, any decree, decision, determination, order or judgment entered or issued, or that becomes reasonably foreseeable to be entered or issued, that would, or would reasonably be expected to, prevent, restrain, enjoin, prohibit, make unlawful, restrict or delay the consummation of the contemplated transactions, so as to enable the parties hereto to close the Transaction and the other transactions contemplated by this Agreement as expeditiously as reasonably practicable and advisable (but in no event later than the Outside Date), including (i) the defense through litigation on the merits of any claim asserted in any court, agency or other proceeding by any Person or entity (including any Governmental Entity) seeking to delay, restrain, prevent, enjoin or otherwise prohibit consummation of the transactions contemplated by this Agreement and (ii) (A) proposing, negotiating, committing to, agreeing to and effecting, by consent decree, hold separate orders or otherwise, the sale, lease, divestiture, disposition, or license (or holding separate pending such disposition) of any assets, operations, rights, product lines, licenses, properties, products, rights, services or businesses of Purchaser or any member of the Purchaser Group, or Company or its subsidiaries or any interest therein, (B) otherwise taking or committing or agreeing to restrictions or actions that after the Closing would limit Purchaser’s, any member

of the Purchaser Group's, or the Company's or its subsidiaries' freedom of action or operations with respect to, or its or their ability to retain, any assets, operations, rights, product lines, licenses, properties, products, rights, services or businesses of Purchaser, the Purchaser Group or the Company or its subsidiaries or any interest or interests therein or (C) agreeing to enter into, modify or terminate existing contractual relationships, contractual rights or contractual obligations, and promptly effecting the sale, lease, license, divestiture, disposal and holding separate of, assets, operations, rights, product lines, licenses, properties, products, rights, services or businesses of Purchaser, the Purchaser Group, or the Company or its subsidiaries or any interest or interests therein and the entry into agreements with, and submission to orders of, the relevant Governmental Entity giving effect thereto or to such restrictions or actions (such sale, lease, license, defense through litigation, divestiture, disposal and holding separate or other action described in clauses (i) or (ii), a "Regulatory Remedy"). Nothing in this Section 5.1(c) shall require Purchaser or Seller to effectuate or agree to effectuate any Regulatory Remedy unless such Regulatory Remedy is conditioned upon the Closing and only effective following the Closing.

(d) Subject to the obligations under Section 5.1(c), in the event that any administrative or judicial action or proceeding is instituted (or threatened to be instituted) by a Governmental Entity or private party challenging the Transaction or any other transaction contemplated by this Agreement, or any other agreement contemplated hereby, (i) each of Purchaser and Seller shall, and Purchaser shall cause each member of the Purchaser Group to, cooperate in all respects with each other and use its respective reasonable best efforts to contest and resist any such action or proceeding and to have vacated, modified, suspended, eliminated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prevents, restrains, enjoins, prohibits, makes unlawful, restricts or delays consummation of the transactions contemplated by this Agreement, and (ii) Purchaser and Seller must defend, at its own cost and expense, any action or actions, whether judicial or administrative, in connection with the transactions contemplated by this Agreement.

(e) Neither Purchaser nor any member of the Purchaser Group shall, and Purchaser shall cause each member of the Purchaser Group not to, take any action, including acquiring or agreeing to acquire, including by merging with or into or consolidating with, or by purchasing a portion of the assets of or equity in, or by any other manner, any business or any Person, corporation, partnership, association or other business organization or division thereof, or otherwise acquire or agree to acquire any assets, properties or equity interests, if the entering into of a definitive agreement relating to, or the consummation of such acquisition, merger or consolidation or such other action could reasonably be expected to: (i) impose any material delay in the obtaining of, or materially increase the risk of not obtaining, any consents of any Governmental Entity necessary to consummate the Transaction and the other transactions contemplated by this Agreement or the expiration or termination of any applicable waiting period; (ii) materially increase the risk of any Governmental Entity seeking or entering an order prohibiting the consummation of the Transaction or any of the other transactions contemplated by this Agreement; or (iii) materially increase the risk of not being able to remove any such order on appeal or otherwise.

(f) Notwithstanding the foregoing and except as otherwise mutually agreed by the parties hereto (or any of their respective Affiliates) in a any separately executed clean team agreement, commercially and/or competitively sensitive information and materials of a party hereto will be provided to the other party hereto on an outside counsel-only basis while, to the extent feasible, making a version in which the commercial and/or competitively sensitive information has been redacted available to the other party hereto. Materials provided to the other party hereto or its counsel may be redacted to remove references (i) concerning the valuation of the Company Group, (ii) as necessary to comply with contractual arrangements, (iii) as necessary to address reasonable attorney-client privilege or confidentiality concerns, or (iv) other competitively sensitive material.

Section 5.2. Covenants Relating to Conduct of Business

(a) Except as (w) set forth in Section 5.2 of the Seller Disclosure Schedules, (x) required by applicable Law, (y) required by, or in response to, but in each case, in a manner consistent with past practice, any COVID-19 Measures or (z) otherwise required or expressly contemplated by the terms of this Agreement, from the date of this Agreement to the Closing, and except as Purchaser may otherwise consent in writing to, Seller and the Company shall (and shall cause the Company Group to) (i) conduct the Business and the operation thereof in all material respects in the ordinary course and consistent with past practice and (ii) use commercially reasonable efforts to preserve substantially intact the Business and present material business relationships of the Business (including lenders, suppliers and customers); provided, that no action by Seller or any Group Company with respect to matters specifically addressed by any other provision of this Section 5.2 shall be deemed a breach of this Section 5.2(a) unless such action would constitute a breach of such other provision. Nothing in this Section 5.2 shall be deemed to limit the transfer of assets of, or the operation by Parent and its Subsidiaries (including Seller) of, the businesses and assets of Parent and its Subsidiaries (including Seller) other than the Company Group, so long as such activities (x) would not result in a breach of (I) a representation or warranty made in Article III or any certificate delivered pursuant to the requirements of this Agreement or (II) any covenant of Seller or the Company expressly set forth herein, and are not adverse to the Business in any material respect and would not, without the consent of the Purchaser, impose any Liability on the Company Group that would not have existed absent such action.

(b) With respect to the Company Group and the Business, except as (w) set forth in Section 5.2 of the Seller Disclosure Schedules, (x) required by applicable Law, (y) required by, or in response to, but in each case, in a manner consistent with past practice, any COVID-19 Measures or (z) otherwise required or expressly contemplated by the terms of this Agreement, from the date of this Agreement to the Closing, and solely with respect to the Company Group and the Business, Seller and the Company shall not, and shall cause the Company Group not to, do any of the following without the prior written consent of Purchaser (such consent not to be unreasonably withheld, conditioned or delayed other than with respect to Section 5.2(b)(vi)):

- (i) amend the Organizational Documents or equivalent documents of any Company Subsidiary;
- (ii) issue, sell, or dispose of (or authorize the issuance, sale, or disposition of) any Equity Securities of any Group Company;
- (iii) sell, exclusively license, assign or otherwise dispose of any property or assets of any Group Company, other than (A) sales, dispositions or licensing of equipment and/or inventory and other assets, excluding real property, in the ordinary course of business or pursuant to existing Contracts of the Company Group (other than Indebtedness), (B) assignments of leases or sub-leases, in each case, in the ordinary course of business, (C) sales of obsolete assets, (D) sales, licensing, assignment or dispositions of any property or assets solely among the Company and its wholly owned Subsidiaries or solely among the Company's wholly owned Subsidiaries, or (E) sales, licensing, assignment or dispositions of any property or assets with a fair market value or purchase price not in excess of \$250,000 in the aggregate;
- (iv) reclassify, adjust, combine, split, subdivide or amend the terms of, or redeem, purchase or otherwise acquire, directly or indirectly, any of the Company's capital stock or other Equity Securities of the Company or reclassify, adjust, combine, split or subdivide any capital stock or other Equity Securities of any wholly owned Subsidiary of the Company;

(v) adopt or enter into a plan of complete or partial liquidation or adopt resolutions providing for a complete or partial liquidation, dissolution, consolidation, restructuring, recapitalization or other reorganization or file a petition in bankruptcy or consent to the filing of any bankruptcy petition under any applicable Law;

(vi) acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or Person or division thereof, other than (A) acquisition of assets in the ordinary course of business or pursuant to existing Contracts of the Company Group, (B) acquisitions or investments with a fair market value or purchase price not in excess of \$100,000 in the aggregate, or (C) acquisitions or investments solely among the Company and its wholly owned Subsidiaries or solely among the Company's wholly owned Subsidiaries;

(vii) amend, modify, incur, assume or guarantee any Indebtedness (such term being used in this clause (vii) without giving effect to the proviso at the end of the definition of "Funded Debt") or issue or sell any debt securities (or rights to acquire debt securities) or assume, guarantee or endorse, or otherwise become responsible for the obligations of any Person for Indebtedness, in each case other than (A) any such Indebtedness (or any guarantee of such Indebtedness) solely (x) between the Company and a wholly owned Subsidiary of the Company, (y) between wholly owned Subsidiaries of the Company or (z) between Seller or any of its Affiliates (other than the Company Group), on the one hand, and any Group Company, on the other hand, (B) any Indebtedness incurred in the ordinary course of business pursuant to letters of credit, performance bonds or other similar arrangements or under any existing lines of credit, (C) guarantees by the Company or any Subsidiary of the Company of Indebtedness of the Company or any other Subsidiary of the Company, (D) interest, exchange rate and commodity swaps, options, futures, forward contracts and similar derivatives or other hedging Contracts, in each case of this clause (D), solely to the extent entered into for legitimate business purposes and (E) other Indebtedness in an aggregate amount not to exceed \$500,000;

(viii) make or authorize any capital expenditure or commitments in respect thereof in excess of \$1,000,000 in the aggregate during any consecutive 3-month period, except for any such expenditures (A) not in excess of \$1,500,000 (net of insurance proceeds) in the aggregate that the Company reasonably determines are necessary to avoid a material business interruption or maintain the safety and integrity of any asset or property in response to any unanticipated and subsequently discovered events, occurrences or developments or (B) subject to an aggregate cap of \$1,500,000, reasonably incurred to meet a customer commitment pursuant to any Company Material Contract with a customer;

(ix) except to the extent required by (A) applicable Law, (B) the existing terms of any Benefit Plan as disclosed to Purchaser, or (C) this Agreement: (1) increase the compensation or benefits payable or to become payable to any Business Employee or other personnel (except for increases in annual base salary and target annual bonus opportunity and commission rates for employees of the Company or any Company Subsidiary whose total annual compensation is less than or equal to \$200,000 in connection with promotions or periodic reviews in the ordinary course of business), (2) amend or terminate any Company Group Benefit Plan (or any Benefit Plan as it relates to a Business Employee) or establish, adopt, or enter into any arrangement that would be a Company Group Benefit Plan (or a Benefit Plan as it relates to a Business Employee), that would, in either case, increase the annual cost of any such Benefit Plan by more than \$100,000 (or any group of Benefit Plans by more than \$300,000 in the aggregate), (3) hire or terminate any Business Employee holding the title of Vice President, or a more senior title, other than for cause, or (4) transfer any Business Employee outside the Business or the Company Group; or (5) transfer any other employee of Seller or any of its Affiliates (other than the Company Group) into the Business

or the Company Group that is not otherwise identified as a Business Employee on Section 1.1(a)(ii) of the Seller Disclosure Schedules;

(x) except as it relates to a Seller Consolidated Return and to the extent that it would not reasonably be expected to adversely affect any Group Company following Closing, (A) make, change or revoke any material Tax election, (B) settle or compromise any material Tax claim; (C) file any material Tax Return other than on a timely basis in the ordinary course, or file any material amended Tax Return; (D) waive or extend any statute of limitations in respect of a period within which an assessment or reassessment of material Taxes may be issued (other than any extension pursuant to an extension to file any Tax Return); (E) knowingly surrender any material claim for a refund of Taxes; (F) enter into any “closing agreement” as described in Section 7121 of the Code (or any similar legal requirement) with any Governmental Entity with respect to Taxes; or (G) make any change (or request to change) in any accounting principles, methods or practices used by the Company Group or the Business, other than as required by applicable Law or GAAP;

(xi) voluntarily recognize any labor union, works council or similar labor organization;

(xii) take any action which would trigger the notification requirements of the Worker Adjustment and Retraining Notification Act or any similar Law;

(xiii) enter into any Affiliate Transactions or Interests or amend or otherwise modify, in each case in a manner adverse to the Business or the Company Group, any Contracts listed on Section 5.6 of the Seller Disclosure Schedules;

(xiv) enter into, transfer, terminate, modify, amend, waive any rights under, or discharge any other party of any obligation under, any Company Material Contract other than in the ordinary course of business and in a manner that will not constitute a breach of such Contract;

(xv) enter into any settlement or compromise with respect to any Action, other than settlements, compromises or releases with respect to (A) any litigation in the ordinary course of business, (B) any stockholder litigation related to this Agreement, the Transaction or the other transactions contemplated by this Agreement brought against Parent, any of its Affiliates (including Seller and the Company Group) or any of their respective officers or any members of the board of directors or similar governing body after the date of this Agreement, (C) any litigation where the amount paid (net of insurance proceeds receivable) does not exceed \$250,000 in the aggregate (net of any insurance proceeds and indemnity, contribution or similar payments actually received by the Company or its subsidiaries in respect thereof) or, if greater, does not materially exceed the total amount reserved for such matter in the applicable Group Company’s financial statements, or (D) where the entire amount is paid or reimbursed by an insurance carrier or third party under an indemnity or similar obligation;

(xvi) create or incur or suffer to exist any Lien (other than Permitted Liens) on any asset of the Company Group, except for Liens that are created or incurred in the ordinary course of business and released at or prior to Closing in accordance with [Section 5.10\(c\)](#);

(xvii) between 11:59 p.m. Eastern Time on the day immediately prior to the Closing Date and the Closing, (A) make or pay any dividends or distributions, (B) incur or pay off any Indebtedness or (C) incur or pay any Company Transaction Expenses;

(xviii) fail to maintain in full force and effect in all material respects, or fail to use commercially reasonable efforts to replace, extend or renew, any Insurance Policy existing as of the date hereof; or

(xix) authorize or enter into any Contract or otherwise make any commitment, in each case to do any of the foregoing in clauses (i) through (xvii).

(c) Anything to the contrary in this Agreement notwithstanding, nothing in this Section 5.2 shall prohibit or otherwise restrict in any way (i) the operation of the business of Seller or its Affiliates, except solely with respect to the conduct of the Business by Seller, the Company Group and their respective Affiliates, or (ii) Parent or any of its Affiliates from taking steps to effect the separation of Parent into two independent, publicly traded companies as reported by Parent on its current report on Form 8-K filed with the Securities Exchange Commission on May 5, 2021, in each case which would not (x) have an adverse effect on the benefit of the consummation of the Transaction to the Purchaser or (y) prevent or materially delay the consummation of the Transaction.

Section 5.3. Confidentiality

. Purchaser and Seller acknowledge that the information being provided to Purchaser in connection with the Transaction and the other transactions contemplated hereby is subject to the terms of that certain confidentiality agreement between Variant Equity Advisors, LLC and Parent, dated as of February 2, 2021 (the "Confidentiality Agreement"), the terms of which are incorporated herein by reference in their entirety and shall survive the Closing in accordance with its terms; provided, that actions taken by the parties hereunder to the extent necessary in order to comply with their respective obligations under Section 5.1 hereunder shall not be deemed to be in violation of this Section 5.3 or the Confidentiality Agreement; provided, that the foregoing shall not affect Section 5.1(b) to the extent that Section 5.1(b) specifies that it is subject to this Section 5.3 or the Confidentiality Agreement. Notwithstanding the foregoing, effective upon, and only upon, the Closing, the Confidentiality Agreement shall terminate with respect to information relating solely to the Business or the Company Group; provided, that Purchaser acknowledges that its obligations of confidentiality, non-disclosure and use with respect to any and all other information concerning Seller or any of its Affiliates (other than solely with respect to the Business and the Company Group) shall continue to remain subject to the terms and conditions of the Confidentiality Agreement, any termination of the Confidentiality Agreement that has or would otherwise occur notwithstanding. From and after the Closing until the second (2nd) anniversary of the Closing Date, Seller shall, and shall cause each of its Affiliates and each of its and their respective Representatives to, unless required to disclose by judicial or administrative process or applicable Law or the applicable requirements of any Governmental Entity (including the federal securities laws, rules and regulations of any national securities exchange) or requested to disclose (by court order, deposition, interrogatory questions, request for information or documents, subpoena, civil investigative demand, regulatory demand or similar process), hold in confidence and not use all non-public and confidential information concerning the Business or the Company Group (the "Confidential Information"); provided, that for purposes of this Agreement, "Confidential Information" shall not include any information to the extent such information (i) is in the public domain other than directly as a result of a disclosure by Seller or its Affiliates (excluding, after the Closing, the Company Group) in violation of their confidentiality obligations of this Section 5.3, (ii) was acquired after the Closing by Seller or any of its Affiliates from sources other than those related to its prior ownership of the Business and not, to the knowledge of Seller or its Affiliates, in violation of an obligation of confidentiality owed to the Company Group or Purchaser with respect to such information, or (iii) is generated independently by Seller or any of its Affiliates without reference to or use of any non-public and confidential information exclusively concerning the Business or the Company Group. If Seller, any of its Affiliates, or any of their Representatives are required by Law to disclose Confidential Information, Seller or such Affiliate or such Representative will (unless prohibited by Law) (a) promptly (and, to the extent practicable, prior to such disclosure) notify Purchaser and cooperate with Purchaser (at Purchaser's expense) in any efforts by Purchaser or any of its Affiliates (including the Company Group) to

oppose such disclosure, and (b) disclose only that portion of the Confidential Information that is legally required to be disclosed and exercise commercially reasonable efforts to ensure that such Confidential Information will be afforded confidential treatment. The parties agree that each of the Debt Financing Sources shall be deemed a “Representative” of Variant Equity Advisors LLC under the Confidentiality Agreement.

Section 5.4. Access to Information

(a) Subject to applicable Law (including, for the avoidance of doubt, any COVID-19 Measures), from and after the date of this Agreement until the earlier of the Closing Date and the termination of this Agreement in accordance with its terms, upon reasonable notice, Seller and the Company shall afford to Purchaser and its Representatives reasonable access during normal business hours in a manner that does not unreasonably interfere with the operation of the business of Seller or any of its Affiliates (including the Business), under the supervision of Seller’s or the Company Group’s personnel, at the Purchaser’s expense, and in accordance with the reasonable procedures established by Seller (including the requirement that any third party for whom access is requested to enter into customary access letters), to the information, properties, books, Contracts, records (including Tax records) and personnel of Seller and of the Company Group related to the Business and the Company Group; provided, that neither Seller nor any Group Company shall be required to permit the Purchaser or any of its Representatives to, and neither Purchaser nor any of its Representatives shall be permitted to, (x) perform or conduct any Phase II Environmental Site Assessment or conduct any invasive testing or any sampling of soil, sediment, surface water, ground water or other environmental media or any building material at, on, under or within any facility on the Leased Real Property, or any other property of Seller, any Group Company or any of their respective Affiliates or (y) access any real property to perform any title or survey work; provided, further, that such access may be limited to the extent Seller or any Group Company determines, in light of COVID-19 or COVID-19 Measures, that such access could jeopardize the health and safety of any employee of Seller or any of its Affiliates (including the Company Group), it being understood that Seller shall, and shall cause the Company to, use its commercially reasonable efforts to provide such access in a manner that would not jeopardize the health and safety of any such employees; and provided, further, that neither Seller nor any of its Affiliates shall be required to make unreimbursed material expenditures to provide any such access. Notwithstanding anything to the contrary set forth in this Agreement, neither Seller nor any of its Affiliates (including the Company Group) shall be required to provide access to Purchaser or any of its Representatives any information, properties, books, Contracts, records and personnel (i) if doing so would violate any Contract (including any obligation of confidentiality thereunder) to which Seller or any of its Affiliates is a party or may be subject; (ii) if Seller or any of its Affiliates, on the one hand, and Purchaser or any of its Affiliates, on the other hand, are adverse parties in a litigation and such information is reasonably pertinent thereto; (iii) to the extent any such information, Contracts or other documents are related to the sale or divestiture process conducted by Seller and/or its Affiliates for the Business vis-à-vis any Person other than Purchaser and its Affiliates, or Seller’s or its Affiliates’ and direct or indirect equity holders’ (or their respective Representatives’) evaluation of the Business in connection therewith, including projections, financial and other information relating thereto; (iv) to the extent any such information, properties, books, Contracts or records include any trade secret or other confidential and proprietary information which would reasonably be expected to cause material harm to the disclosing Person; or (v) if, upon the advice of counsel, such access or disclosure would jeopardize any legal privilege (including attorney work product doctrine and attorney-client privilege) or contravene any Laws (it being understood that Seller shall use its commercially reasonable efforts to provide such access in a manner that would not violate the foregoing clauses (i) through (v)). Purchaser agrees that any investigation undertaken pursuant to the access granted under this Section 5.4(a) shall be conducted in such manner as not to unreasonably interfere with the operation of the Business, and none of Purchaser or any of its Affiliates or Representatives shall initiate communication with any of the employees of the Business without the prior written consent

of Seller. Notwithstanding anything to the contrary set forth in this Agreement, nothing in this Agreement shall limit any of Purchaser's or any of its Affiliates' rights of discovery.

(b) Subject to applicable Law (including, for the avoidance of doubt, any COVID-19 Measures), from the Closing until the sixth (6th) anniversary of the Closing Date, upon reasonable notice, Purchaser shall, and shall cause the Company to, afford to Seller, its Affiliates and their respective Representatives reasonable access during normal business hours in a manner that does not unreasonably interfere with the operation of the Business, under the supervision of the Company Group's personnel, at Seller's expense, and in accordance with the reasonable procedures established by Purchaser (including the requirement that any third party for whom access is requested to enter into customary access letters), to the information, properties, books, Contracts, records (including Tax records) and personnel of the Business and the Company Group in connection with any reasonable business purpose, including for purposes of complying with any applicable Law, Tax, reporting or regulatory requirements, preparing financial statements, or determining any matter relating to the rights or obligations of the Seller or the Company or direct or indirect equity holders under any of the Transaction Documents; provided, that such access may be limited to the extent Purchaser determines, in light of COVID-19 or COVID-19 Measures, that such access could jeopardize the health and safety of any employee of Purchaser or any of its Affiliates (including the Company Group), it being understood that Purchaser shall, and shall cause the Company to, use its commercially reasonable efforts to provide such access in a manner that would not jeopardize the health and safety of any such employees; and provided, further, that neither Purchaser nor any of its Affiliates shall be required to make unreimbursed material expenditures to provide any such access. Notwithstanding anything to the contrary set forth in this Agreement, neither Purchaser nor any of its Affiliates (including the Company Group) shall be required to provide access to Seller, its Affiliates or any of their respective Representatives any information, properties, books, Contracts, records and personnel (i) if doing so would violate any Contract (including any obligation of confidentiality thereunder) to which Purchaser or any of its Affiliates is a party or may be subject; (ii) if Purchaser or any of its Affiliates, on the one hand, and Seller or any of its Affiliates, on the other hand, are adverse parties in a litigation and such information is reasonably pertinent thereto; (iii) to the extent any such information, properties, books, Contracts or records include any trade secret or other confidential and proprietary information which would reasonably be expected to cause material harm to the disclosing Person; or (iv) if, upon the advice of counsel, such access or disclosure would jeopardize any legal privilege (including attorney work product doctrine and attorney-client privilege) or contravene any Laws (it being understood that Purchaser shall use its commercially reasonable efforts to provide such access in a manner that would not violate the foregoing clauses (i) through (iv)). Seller agrees that any investigation undertaken pursuant to the access granted under this Section 5.4(b) shall be conducted in such a manner as not to unreasonably interfere with the operation of the Business, and none of Seller or any of its Affiliates or Representatives shall communicate with any of the employees of the Company Group without the prior written consent of Seller. Notwithstanding anything to the contrary set forth in this Agreement, nothing in this Agreement shall limit any of Seller's or any of its Affiliates' rights of discovery.

(c) Purchaser agrees to hold all the Books and Records of the Business and the Company Group existing on the Closing Date and not to destroy or dispose of any thereof for a period of seven (7) years from the Closing Date or such longer time as may be required by Law, and thereafter, if it desires to destroy or dispose of such Books and Records, to offer first in writing at least sixty (60) days prior to such destruction or disposition to surrender them to Seller.

Section 5.5. Publicity

. The initial press release regarding the transactions contemplated by this Agreement shall be a joint press release and thereafter Seller and Purchaser shall consult with each other prior to issuing any press releases or otherwise making public announcements with respect to the Transaction and the other transactions contemplated by this Agreement, including any Regulatory Remedy, (unless the information contained in such releases or announcements has been previously approved by

Seller and Purchaser, in which case such consultations shall not be required) and prior to making any filings with any third party and/or any Governmental Entity (including any national securities exchange or interdealer quotation service) with respect thereto, except as may be required by applicable Law or by obligations pursuant to any listing agreement with or rules of any national securities exchange or interdealer quotation service or by the request of any Governmental Entity, in each case, as determined in the good faith judgment of the party hereto proposing to make such release or other public announcement (in which case, such party shall not issue or cause the publication of such press release or other public announcement without prior consultation with the other party hereto); provided, that (a) any such press release or public statement as may be required by applicable Law or any listing agreement with any national securities exchange may be issued prior to such consultation if the party hereto making the release or statement has used its reasonable best efforts to consult with the other party hereto on a timely basis and (b) each party hereto may issue public announcements or make other public disclosures regarding this Agreement or the transactions contemplated hereby that consist solely of information previously disclosed in press releases or public statements previously approved by either party hereto or made by either party hereto in compliance with this Section 5.5 to the extent such disclosure is consistent in all material respects with the information previously disclosed and still accurate at the time of such disclosure; provided, further, that the first sentence of this Section 5.5 shall not apply to (x) any disclosure of information concerning this Agreement in connection with any dispute between the parties hereto regarding this Agreement and (y) internal announcements to employees which are not made public. Notwithstanding the foregoing, Purchaser and their respective Affiliates may provide ordinary course communications regarding this Agreement and the transactions contemplated hereby to existing or prospective general and limited partners, equity holders, members, managers and investors of any Affiliates of such Person, in each case, who are subject to customary confidentiality restrictions.

Section 5.6. Intercompany Accounts and Intercompany Arrangements

. Immediately prior to the Closing, but subject to Section 5.2(b)(xy), all intercompany balances and accounts (other than accounts set forth in Section 5.6 of the Seller Disclosure Schedules) between Seller and any of its Affiliates (other than the Company Group), on the one hand, and any Group Company, on the other hand, shall be settled or otherwise eliminated in such a manner as Seller shall determine in its sole discretion (including by Seller or any of its Affiliates removing from any Group Company any Cash Amounts or funds from cash pools by means of dividends, distributions, contribution, the creation or repayment of intercompany debt, increasing or decreasing of cash pool balances or otherwise); provided, however, that no member of the Company Group shall have any ongoing Liability to Seller or any of its Affiliates (other than the Company Group) from or after the Closing as a result thereof. Intercompany balances and accounts solely among members of the Company Group shall not be affected by this provision. Immediately prior to the Closing, except for the Transaction Documents to be entered into in connection with this Agreement or as set forth on Section 5.6 of the Seller Disclosure Schedules, all arrangements, understandings or Contracts, including all obligations to provide goods, services or other benefits, between Seller or any of its Affiliates (other than the Company Group), on the one hand, and any Group Company, on the other hand, shall automatically be terminated without further payment, performance or any Liability to any Group Company and cease to have any further force and effect, such that no party thereto shall have any further obligations or Liability therefor or thereunder.

Section 5.7. Shared Contracts

(a) From the date of this Agreement until the Closing, with respect to each of the Shared Contracts, including those listed in Section 5.7(a) of the Seller Disclosure Schedules, Seller shall, and Seller shall cause its Affiliates to, use commercially reasonable efforts to cause the counterparty to such Shared Contracts to consent to the assignment of those rights and obligations of Seller and its applicable Affiliates under such Shared Contracts to the extent related to the Company and its Subsidiaries or the Business, or to otherwise reasonably cooperate with Purchaser in Purchaser's efforts to enter into replace such Shared

Contract into a stand-alone new Contract between a member of the Company Group and such counterparty on substantially the same terms (to the extent relating to the Company Group or the Business) as those that exist under such Shared Contract (such assignment or entry into a new Contract, the “Contract Separation”); provided, however, that nothing in this Section 5.7(a) shall require Purchaser, Seller or any of their Affiliates to pay any fee or other payment or consideration (monetary or otherwise), take any Extraordinary Action, make a concession to any third party or provide any material right to any third party, make any material amendments or material modifications in any manner materially adverse to the extent of the rights and obligations related to Seller or any of its Affiliates (other than the Business), or otherwise incur any liability or out-of-pocket expense, in each case, in connection with the obligations or efforts set forth in this Section 5.7(a) (together the “Pre-Closing Proviso”); provided, further, that in the case of Shared Contracts which are Contracts primarily for the provision of material Intellectual Property Rights to the Business or any Company Group, Seller and its Affiliates shall be required to pay any one-time cost or expense reasonably required in connection with the Contract Separation of such Shared Contracts (except for any increases in the cost of licensing any such Intellectual Property Rights as a result of such Contract Separation, which shall be borne by the relevant licensee). If the parties hereto receive such consent to the partial assignment of such portion of such rights and obligations of Seller and its Affiliates under such Shared Contract (or if no such consent is required), subject to the Pre-Closing Proviso, if applicable, Seller or its Affiliates shall assign such portion of such Shared Contract to the Company in accordance with the terms thereunder, to the extent permitted under applicable Law.

(b) For any Shared Contract for which the arrangements described in Section 5.7(a) could not be entered into prior to the Closing (such Shared Contract, a “Stranded Shared Contract”), then from the Closing until the earliest of (x) completing the Contract Separation, (y) the expiration of the Stranded Shared Contract in accordance with its terms (without any extensions or renewals thereof), and (z) the date that is eighteen (18) months following the Closing Date, each of Purchaser and its Affiliates, on the one hand, and Seller and its Affiliates, on the other hand, shall use commercially reasonable efforts to continue the Contract Separation of such Stranded Shared Contract and cooperate with Purchaser in a mutually agreeable arrangement under which Purchaser and all applicable Group Companies would obtain all of the benefits and assume all of the obligations and liabilities to the extent related to the Company Group or the Business under such Stranded Shared Contract to the extent permitted under applicable Law (such arrangement, a “Back-to-Back Arrangement”); provided, however, that nothing in this Section 5.7(b) shall require Purchaser, Seller or any of their Affiliates to pay any fee or other payment or consideration (monetary or otherwise), take any Extraordinary Actions, make a concession to any third party or provide any material right to any third party, make any material amendments or material modifications in any manner materially adverse to the extent of the rights and obligations related to Seller or any of its Affiliates (other than the Business), or otherwise incur any liability or expense, in each case, in connection with the obligations or efforts set forth in this Section 5.7(b) (together the “Post-Closing Proviso”); provided, further, that in the case of Stranded Contracts which are Contracts primarily for the provision of material Intellectual Property Rights to the Business or any Company Group, Seller and its Affiliates shall be required to pay any one-time cost or expense reasonably required in connection with the Contract Separation and/or the provision of a Back-to-Back Arrangement of such Stranded Contracts (except for any increases in the cost of licensing any such Intellectual Property Rights as a result of such Contract Separation or provision of such Back-to-Back Arrangement, which shall be borne by the relevant licensee). Following the date hereof, other than as set forth in Section 5.7(a) neither Seller nor the Company shall, and each shall cause their Affiliates not to, enter into, terminate (other than expirations in accordance with their terms) or amend any Shared Contract.

Section 5.8. General Assurances

. Subject to the terms and conditions of this Agreement, each party hereto agrees that, from time to time after the Closing Date, it will use commercially reasonable efforts to execute and deliver, or cause its Affiliates to execute and deliver, such further instruments, and use commercially reasonable efforts to take (or cause its Affiliates to take) such other action, as may be

reasonably necessary, to the extent permitted by Law, to carry out the purposes and intents of this Agreement; provided, however, that none of Purchaser, Seller or any of their respective Affiliates or the Company or any of its Affiliates shall be required to commence, defend or participate in any litigation, or offer, grant or otherwise be liable or responsible for any payments, other amounts payable or required to be paid or other accommodation (financial or otherwise) (each an “Extraordinary Action”), make a material concession or provide any material right, or otherwise incur any liability or expense, in each case, in connection with the obligations set forth in this Section 5.8 except as expressly set out in this Agreement.

Section 5.9. Employee Matters

(a) Continuation of Employment.

(i) At or prior to Closing, Seller shall (or shall cause its Affiliates to) use commercially reasonable efforts to transfer the employment of each Business Employee who is not employed by a Group Company to a Group Company as designated by a Seller or an Affiliate of any Seller. Notwithstanding the foregoing, to the extent any such individual cannot practicably be transferred to a Group Company, Purchaser shall extend an offer of employment to such employee on terms consistent with this Agreement and following such individual’s acceptance of such offer of employment, such individual will be a Transferred Business Employee for purposes of this Agreement.

(ii) As of the Closing Date, Purchaser shall (i) cause each Group Company to continue to employ on the Closing Date its respective Company Group Employees, and (ii) with respect to each other Business Employee, either (A) continue to employ such other Business Employee, to the extent employment continues by operation of Law, or (B) offer, or cause its applicable Affiliate to offer, employment to such other Business Employee, to the extent employment does not continue by operation of Law, in all cases, on terms consistent with this Section 5.9. Each Company Group Employee, each other Business Employee whose employment continues by operation of Law, each Business Employee who accepts Purchaser’s offer of employment pursuant to this Section 5.9(a), and each Business Employee who accepts an offer of employment from Purchaser in accordance with Section 5.9(f), shall be referred to herein as a “Transferred Business Employee.” Except as otherwise expressly set forth herein, from and after the Closing, Seller and its Affiliates shall retain all Liabilities under Seller Benefit Plans, and Purchaser and its Affiliates shall assume or retain, as applicable, all Liabilities under Company Group Benefit Plans.

(b) Terms and Conditions of Employment. With respect to each Transferred Business Employee who is not covered by a Labor Agreement, Purchaser shall maintain, for a period of at least twelve (12) months following the Closing Date, (A) the same wage rate or base salary level in effect for such Transferred Business Employee immediately prior to the Closing, (B) incentive compensation opportunities for such Transferred Business Employee that are no less favorable than those in effect immediately prior to the Closing, and (C) employee benefits (other than equity-based, defined benefit pension, and retiree health and welfare benefits) comparable to, in the aggregate, those in effect for such Transferred Business Employees immediately prior to the Closing. Notwithstanding the foregoing, nothing herein shall require Purchaser or its Affiliates to provide any compensation or benefits in any particular form or under any particular employee benefit plan. The compensation, benefits and work location of Transferred Business Employees who are covered by a Labor Agreement shall be provided in accordance with the applicable Labor Agreement. As of and after the Closing, Purchaser shall provide to each Transferred Business Employee full credit for all purposes under any Company Group Benefit Plan and each other employee benefit plan, policy or arrangement by Purchaser or any of its Affiliates for such Transferred Business Employee’s service prior to the Closing with Seller or any of its Affiliates, to the same extent such service is recognized by Seller and its Affiliates immediately prior to the Closing;

provided, that such service shall not be credited for purposes of benefit accrual under any final average pay defined benefit pension plan or to the extent it would result in a duplication of benefits.

(c) Health Coverages. Purchaser shall use its commercially reasonable efforts to cause each Transferred Business Employee (other than those Transferred Business Employees covered by a Labor Agreement) and his or her eligible dependents to be covered on and after the Closing by a group health plan or plans maintained by Purchaser or any of its Affiliates that (i) do not limit or exclude coverage on the basis of any preexisting condition of such Transferred Business Employee or dependent (other than any limitation already in effect under the applicable group health Benefit Plan) or on the basis of any other exclusion or waiting period not in effect under the applicable group health Benefit Plan, and (ii) provide each Transferred Business Employee full credit under Purchaser's or such Affiliate's group health plans, for the year in which the Closing Date occurs, for any deductible or co-payment already incurred by the Transferred Business Employee under the applicable group health Benefit Plan and for any other out-of-pocket expenses that count against any maximum out-of-pocket expense provision of the applicable group health Benefit Plan or Purchaser's or such Affiliate's group health plans.

(d) Severance. With respect to each Transferred Business Employee whose employment is terminated without Cause during the period commencing on the Closing Date and ending twelve (12) months after the Closing Date, and who is not covered by a Labor Agreement, Purchaser shall provide such Transferred Business Employee with severance benefits substantially equal in value to the severance benefits determined in accordance with the policy set forth on Section 5.9(d) of the Seller Disclosure Schedules, in each case, taking into account such Transferred Business Employee's service with Seller and its Affiliates prior to the Closing and with Purchaser and its Affiliates on and after the Closing.

(e) Accrued Vacation, Sick Leave and Personal Time. Purchaser will recognize and assume all Liabilities with respect to accrued but unused vacation time for all Transferred Business Employees (including, without limitation, any Liabilities to Transferred Business Employees for payments in respect of earned but unused vacation time that arise as a result of the transfer of employment contemplated by this Section 5.9) as reflected in Working Capital on the agreed upon or deemed final Closing Statement or Post-Closing Statement, as applicable. Purchaser shall promptly (and, in any event, within ten (10) Business Days following the later of the Closing Date and the date of the applicable payment) reimburse Seller for any payments made by Seller or its Affiliates to any Transferred Business Employees in respect of earned but unused vacation time that become due as a result of the transfer of employment contemplated by this Section 5.9 so long as such earned but unused vacation time is reflected in Working Capital. Purchaser shall allow Transferred Business Employees to use the vacation, sick leave and personal time recognized or established in accordance with the first sentence of this Section 5.9(e) in accordance with the terms of Seller's and its applicable Affiliates' programs in effect immediately prior to the Closing Date (in addition to, and not in lieu of, any vacation accrued under the applicable vacation plans or policies of Purchaser or its Affiliates on or following the Closing).

(f) Disability Benefits. Seller shall be responsible for providing short- or long-term disability benefits to any Business Employee who was on short- or long-term disability leave immediately prior to the Closing Date. If any Business Employee who is receiving short- or long-term disability benefits as of the Closing Date is, within twelve (12) months following the Closing Date, able to return to work, Purchaser shall offer employment to such employee on terms consistent with those applicable to Transferred Business Employees generally under this Section 5.9. Purchaser shall return to work any inactive employee of the Business who is subject to a Labor Agreement and who is receiving short or long term disability benefits as of the Closing Date, but who subsequently becomes able to return to work within the period provided in the Labor Agreement that applied to him or her immediately prior to the Closing Date.

(g) 401(k) Plan. Effective reasonably promptly after the Closing, Purchaser shall establish participation by the Transferred Business Employees in Purchaser's tax-qualified defined contribution plan or plans with a cash or deferred feature (the "Purchaser 401(k) Plan") for the benefit of each Transferred Business Employee who, as of immediately prior to the Closing, was eligible to participate in a tax-qualified defined contribution plan maintained by Seller or its Affiliates (collectively, the "Seller 401(k) Plans"). As soon as practicable after the Closing Date, the Seller 401(k) Plans shall, to the extent permitted by Section 401(k)(10) of the Code, make distributions available to Transferred Business Employees, and the Purchaser 401(k) Plan shall accept any such distribution (including loans) as a direct rollover contribution if so directed by the applicable Transferred Business Employee. In addition, Purchaser may elect to cause the Purchaser 401(k) Plan and the trust established thereunder to accept a trust to trust plan asset transfer from the Seller 401(k) Plan and the trust established thereunder in respect of account balances (including any loan balances) of Transferred Business Employees, and if so elected, Purchaser and Seller shall cooperate with each other to take such actions as may be necessary to cause such trust to trust plan asset transfer to occur as of the Closing or as promptly as administratively and commercially practicable thereafter.

(h) Annual Bonuses. Purchaser or its applicable Affiliate shall continue any Benefit Plan that is an annual bonus plan for the year in which Closing occurs and will pay such annual bonuses for the year in which the Closing occurs to the applicable Transferred Business Employees at such time as Seller or its applicable Affiliate has historically paid such bonuses, subject to the continued employment of the applicable Transferred Business Employees with Purchaser or its Affiliates at the time of payment; provided, that each such Transferred Business Employee's bonus in respect of the year in which Closing occurs shall not be less than the accrued amount of such annual bonus in respect of such Transferred Business Employee.

(i) Labor Agreements. Seller shall, or shall cause the Company Group or any of its Affiliates, as applicable, to satisfy all bargaining obligations as of the Closing. Purchaser agrees that as of and following the Closing Date, to the extent required by applicable Law, Purchaser shall recognize the unions and works councils that are signatories to the Labor Agreements covering Transferred Business Employees as the representatives of the Transferred Business Employees of the bargaining units described therein.

(j) Treatment of International Business Employees. The following terms and conditions shall, in addition to the applicable terms and conditions of this Section 5.9, apply to International Business Employees who become Transferred Business Employees ("Transferred International Business Employees"): in the case of Transferred International Business Employees, Purchaser and its Affiliates shall, in addition to meeting the applicable requirements of this Section 5.9, comply with any additional obligations or standards arising under applicable Laws or Contracts governing the terms and conditions of their employment or severance of employment in connection with the Transaction or otherwise.

(k) No Third-Party Beneficiaries. Without limiting the generality of Section 10.4, the provisions of this Section 5.9 are solely for the benefit of the parties to this Agreement. Nothing in this Agreement shall confer upon any Business Employees or Transferred Business Employee any right to continue in the employ or service of Seller, Purchaser, any Group Company or any their respective Affiliates, or shall interfere with or restrict in any way the rights of Seller, Purchaser, any Group Company or any their respective Affiliates, which rights are hereby expressly reserved, to discharge or terminate the services of any Business Employees or Transferred Business Employee at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between Seller, Purchaser, any Group Company or any their respective Affiliates and the Business Employees or Transferred Business Employee or any severance, benefit or other applicable plan, policy or program covering such Business Employees or Transferred Business Employee, in each case as has been disclosed to Purchaser. Notwithstanding any provision in this Agreement to the contrary, nothing in this

Section 5.9 shall (i) be deemed or construed to be an amendment or other modification of any Benefit Plan, (ii) prevent Seller, Purchaser, any Group Company or any of their respective Affiliates from amending or terminating any Benefit Plan or other employee benefit plan in accordance with their terms, (iii) create any third-party rights in any current or former service provider of the Seller, Purchaser, any Group Company or any their respective Affiliates (or any beneficiaries or dependents thereof), or (iv) prevent the Company, after the Closing, from terminating the employment of any Transferred Business Employee.

Section 5.10. Financial Obligations

(a) After the Closing, Purchaser shall use its commercially reasonable efforts to (x) assume all obligations entered into by or on behalf of Seller or any of its Affiliates (other than the Company Group) in connection with or relating to the Business or the assets of the Company Group under all letters of credit (which Seller shall cause to remain in place for (extending if necessary) , and Purchaser shall replace within, 365 days after Closing), surety, performance and other bonds, bankers' acceptances and similar facilities and guarantees, in each case, relating to the Business or the assets thereof that are directly or indirectly acquired by Purchaser under this Agreement that are listed in Section 5.10 of the Disclosure Schedules (collectively, "Credit Enhancements"), and (y) use its commercially reasonable efforts to obtain from such applicable creditor or other counterparty a full and irrevocable release of Seller and its Affiliates that are liable, directly or indirectly, for reimbursement to the creditor or fulfillment of other Liabilities to a counterparty in connection with such Credit Enhancements. Purchaser further agrees that to the extent Seller or any of its Affiliates incurs any cost or expense, or is required to make any payment, in connection with the exercise by any third party of its rights against Seller or its Affiliate with respect to any such Credit Enhancements arising out of actions taken or failed to be taken by Purchaser or the Company Group with respect to assets of the Business directly or indirectly acquired pursuant to this Agreement, after the Closing, Purchaser shall indemnify and hold harmless Seller and its Affiliates against, and reimburse Seller and its Affiliates for, any and all amounts paid by Seller or its Affiliates, and shall in any event promptly and in no event later than ten (10) Business Days after written demand therefor from Seller, reimburse Seller and any of its Affiliates to the extent that any Credit Enhancement is called upon and Seller or any of its Affiliates makes any payment or incurs any Liability in respect of any such Credit Enhancement; provided that in all circumstances, Seller shall provide reasonably prompt written notice to Purchaser of any claim, correspondence, demand or other applicable set of facts and circumstances giving rise to or reasonably likely to give rise to, any such indemnity obligation, which notice shall reasonably summarize all pertinent facts and circumstances and demand related to the same. Subject to Section 5.10(b), in relation to any Credit Enhancement which is not a letter of credit, Seller shall not, and shall procure that its Affiliates shall not, terminate, or knowingly encourage the counterparty to terminate, such Credit Enhancement and shall leave it in place for the benefit of the Company Group until the earliest to occur of (i) 18 months from the Closing and (ii) the date when, without the Seller or its applicable Affiliate terminating, or knowingly encouraging the counterparty to terminate, such Credit Enhancement, such Credit Enhancement terminates in accordance with its terms.

(b) Without limiting Purchaser's undertaking in the foregoing Section 5.10(a), to the extent that Seller or any of its Affiliates has performance obligations under any Credit Enhancements after the Closing, Purchaser shall, and shall cause its Affiliates to, not renew or extend the term of, increase its obligations (in the aggregate in excess of the Seller's or its Affiliates' liability under such Credit Enhancements as at Closing, including by entering into any new or additional service order or work orders for customers secured by any such Credit Enhancements) under, or (without the consent of Seller) transfer to a third party, any such Credit Enhancements. In addition, until such time as Purchaser replaces any particular Credit Enhancement, Seller shall use commercially reasonable efforts (and shall cause its applicable Affiliates to use commercially reasonable efforts) to comply with the terms of, and not to breach (or allow to be breached), such Credit Enhancement solely to the extent (x) it is reasonably foreseeable that Purchaser or any member of the Company Group could incur any Liability or be subject to any obligation

in connection therewith, including the ultimate replacement thereof and (y) the transactions contemplated by this Agreement do not constitute a breach of any of the terms of such Credit Enhancement and the continuation of Seller or its applicable Affiliate (other than a Group Company) as a party to such Credit Enhancement following the Closing is permissible thereunder.

(c) Seller shall cause the termination or release of all Seller Debt Obligations at or prior to the Closing and shall provide Purchaser with a confirmation from the holder(s) of such Seller Debt Obligations with respect to such release, which shall, if necessary, include an authorization in favor of Seller, an Affiliate of Seller or other Representatives of Seller or any such Affiliate to file UCC-3 termination statements or amendments. On or as soon as reasonably practicable after the Closing Date, Seller shall make all filings (including UCC-3 termination statements or amendments if and as necessary) that may be made by Seller without the signature of any other party, or use its commercially reasonable efforts to cause the holders of the Seller Debt Obligations to make such filings, in all local, state and foreign jurisdictions necessary to give public notice of the termination and release of such Seller Debt Obligations (in each case to the extent that such filing or public notice is necessary for the release of the relevant Seller Debt Obligation) it being understood that certain releases (including mortgage releases) of Seller Debt Obligations may require the signatures of the applicable secured parties and/or counterparties, as the case may be, which Seller agrees to use commercially reasonable efforts to obtain promptly after the Closing Date.

Section 5.11. Intellectual Property Matters

(a) Trademarks. Effective as of the Closing Date, other than as set forth in this Section 5.11(a), (i) neither Seller nor any of its Affiliates (other than the Company Group) shall use any Trademark containing or comprising the “CompuCom” name, or any variations, translations, transliteration, abbreviations or derivatives thereof, whether used alone or in combination with other words (collectively, the “CompuCom Name”) and (ii) neither Purchaser nor any of its Affiliates (including the Company Group) shall use any Seller Mark. As promptly as practicable following the Closing Date, and in any event no longer than ninety (90) days following the Closing (the “Transition Period”), each of Seller and Purchaser shall, and shall cause its respective Affiliates (excluding or including the Company Group, as applicable) to, (x) cease all use of the CompuCom Name or the Seller Marks, as applicable, (y) take necessary actions to replace materials, including signage, stationery and promotional materials in any media (including digital and electronic) that bear such names or marks and (z) cause each of its Affiliates whose corporate, trade or other names include the CompuCom Name or the Seller Marks, as applicable, to change its name to remove such Trademarks from such name. Each party hereto hereby grants to the other parties hereto a non-exclusive, non-assignable, limited license during the Transition Period to the CompuCom Name or the Seller Marks, as applicable, solely to the extent, in the same manner and on the same materials that such other party used such names or marks as of the Closing Date. Notwithstanding the deadlines of each party hereto as the licensee herein, if a party hereto uses commercially reasonable efforts to comply with its obligations in this Section 5.11(a) and substantially performs same before such deadline, the other parties hereto shall not unreasonably withhold its consent to a request for a reasonable extension of such deadline for such party to complete performance of its obligations. Notwithstanding anything to the contrary in this Section 5.11(a), each party hereto and its respective Affiliates shall have the right at all times after the Closing to use (i) plain-text, non-stylized versions of CompuCom Name or the Seller Marks, as applicable in a neutral, non-trademark manner to describe the history of the parties’ relationship or otherwise as required by applicable Law and (ii) CompuCom Name or the Seller Marks, as applicable, in historical legal and business documents and internal materials not visible to the public.

(b) Inventions. Effective as of the Closing Date:

(i) Seller, on behalf of itself and its Affiliates (as of the Closing Date, excluding the Company Group) (the “Seller Covenant Parties”), hereby covenants to Purchaser that none of the Seller Covenant Parties shall bring any Action against Purchaser or the Company Group anywhere in the world that alleges that the current or future operation of the Company Group infringes any Intellectual Property Rights other than Trademarks (the “Inventions”) that, in each case, is (A) owned by the Seller Covenant Parties as of the Closing Date and (B) used in the Business as of the Closing Date or at any time during the twelve (12) month period prior to the Closing Date.

(ii) Purchaser, on behalf of itself and its Affiliates (as of the Closing Date, including the Company Group) (the “Purchaser Covenant Parties”) hereby covenants to the Seller Covenant Parties that none of the Purchaser Covenant Parties shall bring any Action against Seller or any of its Affiliates anywhere in the world that alleges that the current or future operation of any business of Seller or any of its Affiliates infringes any Inventions that are (A) owned by the Company Group as of the Closing Date and (B) used in any business of Seller or any of its Affiliates as of the Closing Date or at any time during the twelve (12) month period prior to the Closing Date.

(iii) The covenants in Section 5.11(b)(i) and Section 5.11(b)(ii) extend to the contractors, service providers, distributors, resellers and customers of the Seller Covenant Parties or the Purchaser Covenant Parties, as applicable, with respect to the covered businesses of the Seller Covenant Parties or the Purchaser Covenant Parties, as applicable, but not with respect to other products or services of such third parties.

(iv) The parties intend and agree that, for purposes of Section 365(n) of the U.S. Bankruptcy Code (and any amendment thereto) and any equivalent Law in any foreign jurisdiction, each of the above covenants will be treated as a license to intellectual property (as defined in Section 101(35A) of the U.S. Bankruptcy Code).

(v) The covenants in Section 5.11(b)(i) and Section 5.11(b)(ii) are intended to run with the Inventions subject to such covenant. The Seller Covenant Parties and the Purchaser Covenant Parties, as applicable, may and must transfer their respective covenants granted in Section 5.11(b)(i) and Section 5.11(b)(ii), in whole or in part, to the successor or acquirer of any Inventions subject thereto, and such successor or acquirer shall be deemed to assume their respective obligations under this Section 5.11(b) by operation of Law. Each Seller Covenant Party and Purchaser Covenant Party may transfer the covenants in Section 5.11(b)(i) and Section 5.11(b)(ii), as applicable, granted thereto in whole or in part, to an acquirer of any business to which the covenant relates (or in a merger, reorganization or equity sale of any entity owning same), provided that such covenants will not extend to any other businesses of any such acquirer.

Section 5.12. Insurance

(a) The Purchaser acknowledges that all insurance coverage for the Company Group under policies of Seller and its Affiliates (including the Company Group) shall terminate as of the Closing. Purchaser shall be solely responsible for procuring, paying for and maintaining insurance coverage for the Company Group effective from and after the Closing.

(b) Notwithstanding Section 5.12(a), with respects to acts, omissions, events or circumstances relating to the Company Group or the Business that occurred or existed prior to the Closing that are covered by occurrence-based insurance policies of Seller or any of its Affiliates provided to the Company Group by third parties or by Seller or any of its Affiliates prior to the Closing, such Group Company may make claims under such occurrence-based policies subject to the terms and conditions of such occurrence-based policies and this Agreement, to the extent such coverage and limits are available; provided, that the Purchaser: (i)

shall notify, or cause the applicable Group Company to notify, Seller in writing of all such covered claims; and (ii) shall exclusively bear, or cause the applicable Group Company to exclusively bear, and neither Seller nor any of its Affiliates (other than the Company Group) shall have any obligation to repay or reimburse the Purchaser or any Group Company for, the amount of any deductibles or self-insured retentions associated with claims under such occurrence-based policies and shall be liable for all uninsured, uncovered, unavailable or uncollectible amounts of such claims.

(c) For the avoidance of doubt, from and after the Closing, none of the Purchaser or the Company Group shall have any right to make claims or seek coverage under any claims-made insurance policies provided to the Company Group by third parties or by Seller or any of its Affiliates, and, to the extent the Purchaser or any Group Company, or any of their employees or third parties, make claims under such claims-made policies after the Closing, the Purchaser agrees to indemnify Seller and its Affiliates (excluding the Company Group) for the full amount of all fees, costs and expenses incurred by Seller or any such Affiliate as a result of such claims.

(d) To the extent any claims were made or coverage sought by or on behalf of the Seller or any Affiliate thereof in respect of the Business at or prior to Closing, Seller hereby covenants and agrees to use commercially reasonable efforts to continue to prosecute and otherwise pursue any outstanding claim or coverage, shall promptly keep Purchaser informed of all material developments in relation thereto and shall promptly upon receipt thereof provide purchaser or the applicable members of the Company Group all proceeds received in respect of such claim or coverage (net of any expenses or costs reasonably incurred by Seller or any of its Affiliates in connection with making such claim or seeking such coverage).

(e) Purchaser shall cause the Company Group to cooperate with Seller and its Affiliates and share such information as is reasonably necessary in order to permit Seller and its Affiliates (excluding the Company Group) to manage and conduct their insurance matters in a commercially reasonable manner. Seller shall and shall cause its applicable Affiliates to cooperate with Purchaser (and from and after Closing the Company Group) and share such information as is reasonably necessary to facilitate its obligations set forth in this Section 5.12 and otherwise in order to permit Purchaser and the Company Group to manage and conduct their insurance matters in a commercially reasonable manner.

Section 5.13. Litigation Support

. In the event that and for so long as Seller or any of its Affiliates or Purchaser or any of its Affiliates is prosecuting, contesting or defending any Proceeding or Action or claim by a third party or otherwise for legal compliance in connection with (a) the Transaction or any of the other transactions contemplated under this Agreement, or (b) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction relating to, in connection with or arising from the Business or the Company Group, to the extent permitted by Law, Purchaser and Seller shall, and shall cause their respective Affiliates (and its and their officers and employees) to, reasonably cooperate with Purchaser and Seller, respectively, and its counsel (at such requesting party's cost) in such prosecution, contest or defenses, including by using commercially reasonable efforts to make available its personnel, and provide such testimony and access to its Books and Records as shall be reasonably necessary and requested by such requesting party in connection with such prosecution, contest or defense; provided that (i) such requested cooperation shall not unreasonably disrupt or interfere with the business or the operations of the cooperating party, and (ii) the cooperating party shall not be obligated to provide access to or disclose information where such cooperating party determines, upon advice of counsel, that such access or disclosure could jeopardize the attorney-client privilege or contravene any Law (it being understood that such cooperating party shall use its commercially reasonable efforts to provide such access or to make such disclosure in a manner that would not jeopardize such attorney-client privilege or contravene any such Law); provided, further, that Purchaser and Seller acknowledge and agree that this Section 5.13 shall not apply with respect to any Proceeding or Action with respect to which Purchaser and/or its Affiliates are adverse to Seller and/or its Affiliates.

Section 5.14. Payments

(a) Seller shall, or shall cause its applicable Affiliate to, promptly pay or deliver to Purchaser (or its designated Affiliates) any monies or checks that have been sent to Seller or any of its Affiliates after the Closing Date by customers, suppliers or other contracting parties of the Business or the Company Group to the extent that they are in respect of the Business or otherwise expressly payable to the Company Group.

(b) Purchaser shall, or shall cause its applicable Affiliate to, promptly pay or deliver to Seller (or its designated Affiliates) any monies or checks that have been sent to Purchaser or any of its Affiliates (including the Company Group) after the Closing Date to the extent that they are not in respect of the Business and not otherwise expressly payable to the Company Group but rather payable to Seller or its Affiliates and not included in Working Capital or otherwise addressed in any adjustment made to the Base Purchase Price pursuant to the provisions of Section 2.5.

Section 5.15. Non-Solicitation of Employees; Non-Competition

(a) For a period of three (3) years from the Closing Date, without the prior written consent of Purchaser, as to any individual who was listed as Senior Management of the Business (a "Covered Person"), Seller agrees that none of Seller or any of its Affiliates will solicit for employment or hire any Covered Person; provided, that neither Seller nor any of its Affiliates shall be precluded from soliciting, hiring or taking any other action with respect to any such individual (i) whose employment with the Business ceased at least six months prior to commencement of employment discussions between Seller or any of its Affiliates and such individual, (ii) who responds to solicitation not specifically targeted at employees of the Business (including by a search firm or recruiting agency); and provided, further, that Seller and its Affiliates shall not be restricted from engaging in general solicitations or advertising not targeted at any such Persons described above. The parties hereto agree that if a Covered Person requests that Purchaser waive the non-solicitation restrictions set forth in this Section 5.15(a) with respect to that Covered Person, Purchaser shall consider such request in good faith.

(b) For a period of three (3) years from the Closing Date, without the prior written consent of Purchaser, Seller shall not, and shall cause its Affiliates not to, engage in any business that directly competes with the Business in the United States or Canada (a "Competing Business"); provided, that nothing herein shall preclude Seller and any of its Affiliates from:

(i) owning ten percent (10%) or less in the aggregate of any class of the outstanding securities or ten percent (10%) or less in the aggregate in value of any class or series of voting debt of any Person;

(ii) acquiring and, after such acquisition, owning an interest in any Person (or its successor) that is engaged in a Competing Business if such Competing Business generated less than twenty five percent (25%) of such Person's consolidated annual revenues in the last completed fiscal year of such Person;

(iii) acquiring and, after such acquisition, owning an interest in any Person (or its successor) that is engaged in a Competing Business if (A) such Competing Business generated twenty-five percent (25%) or more of such Person's consolidated annual revenues in the last completed fiscal year of such Person and (B) Seller enters, within one (1) year after the consummation of such acquisition, into a definitive agreement to cause the divestiture of a sufficient portion of the Competing Business of such Person such that the restrictions set forth in this Section 5.15(b) would not operate to restrict such ownership and has completed such disposition within eighteen (18) months of the date of such definitive agreement (the "Divestiture");

Period"); provided, that if such divestiture has not been consummated due to (x) any applicable waiting period (including extension thereof) applicable to such divestiture under the HSR Act, or under any other applicable Law not having expired or been terminated, or (y) the failure to procure or obtain any required governmental, regulatory or third-party consents, approvals, permits or authorizations applicable to such divestiture, then the Divestiture Period will automatically be extended so that it expires one (1) week following the later of the expiration or termination of such waiting period and the procurement or obtainment of all such consents, approvals, permits and authorizations;

(iv) providing products or services to any Person that is engaged in a Competing Business or offering, facilitating or arranging the provision of products or services by any Person (other than an Affiliate of Seller) that is engaged in a Competing Business to any Person, including any customer of Seller or any of its Affiliates;

(v) providing services that are supplementary to the sale of products, such as the installation and repair of such products;

(vi) engaging in any businesses conducted by Seller or any of its Affiliates as of the date of this Agreement or the Closing Date for which any Group Company acts as a vendor or supplier to Seller or such Affiliate (including pursuant to the Transition Services Agreement);

(vii) exercising its rights or complying with its obligations under this Agreement or any of the Transaction Documents;

(viii) in the event Parent is separated into two independent companies or any business division of Parent is acquired by a third party, providing products or services to such company or acquirer of such division, or any Affiliate thereof to the extent such products or services (or any reasonable extensions thereof) are provided by Seller or any of its Affiliates to Seller or another Affiliate of Seller, as applicable, as of the date of this Agreement or the Closing Date; or

(ix) providing or engaging in activities, services, products or systems of a nature provided by Seller (or any of its Affiliates) apart from the Business as of the date of this Agreement or the Closing Date and reasonable extensions thereof.

(c) The parties understand and acknowledge that immaterial, occasional and non-recurring, *de minimis* or inadvertent violations of Section 5.15(b) by Seller or any of its Affiliates shall not be deemed a breach of Section 5.15(b).

(d) Notwithstanding anything to the contrary set forth in this Section 5.15(d), Section 5.15 shall not apply to or restrict (i) any Subsidiary or Affiliate of Seller as of such time as such Person is no longer a Subsidiary or Affiliate of Parent, (ii) any Person that purchases assets, operations or a business from Parent, Seller or their Subsidiaries or controlled Affiliates if such Person is not a Subsidiary or controlled Affiliate of Parent after such transaction is consummated or (iii) any acquiror (other than an Affiliate of Parent) of Parent, Seller, any of their Affiliates or any business division of Parent or all or substantially all of any of their respective assets; provided that, during the period specified in Section 5.15(b), any such acquiring party does not, directly or indirectly, use any Confidential Information or Intellectual Property Rights primarily related to the Business (it being understood that the Seller Marks are not deemed to be primarily related to the Business) in the conduct of any Competing Business.

(e) Seller acknowledges and agrees that the covenants set forth in this Section 5.15 (and Section 5.3) were a material inducement to Purchaser to enter into this Agreement and to perform its

obligations hereunder, that Purchaser would not have entered into this Agreement absent the covenants set forth in this Section 5.15 (and Section 5.3), and that Purchaser and its Affiliates will be irreparably damaged and will not obtain the benefit of the bargain set forth in this Agreement if Seller or any of its Affiliates breached the provisions of this Section 5.15 (or Section 5.3). Seller acknowledges and agrees that such covenants are necessary and a narrowly tailored in terms of duration, scope and all other respects and are intended to protect the legitimate business interests of the Purchaser and its Affiliates. Seller further acknowledges and agrees that the benefits to Seller of the transactions contemplated by this Agreement are sufficient consideration to support Seller's agreements set forth in this Section 5.15 (and Section 5.3). Any claim that Seller or any of its Affiliates may have against Purchaser or any other Person will not constitute a defense to enforcement of any of the covenants in this Section 5.15 (or Section 5.3).

Section 5.16. Misallocated Assets

. If, following the Closing, any right, property or asset exclusively related to a business of the Seller or its Affiliates thereof (other than any member of the Company Group) other than the Business, or exclusively used by the Seller or Affiliates thereof (other than any member of the Company Group) in a manner unrelated to the Business during the twelve (12) months prior to the Closing is found to have been transferred to Purchaser through its acquisition of the Company Group in error, Purchaser shall cause the Company Group to transfer, for no consideration (but at no cost to Purchaser or any member of the Company Group), such right, property or asset as soon as practicable to Seller or an Affiliate thereof designated by Seller. If, following the Closing, any right, property or asset exclusively related to, or exclusively used in, the Business during the twelve (12) prior to the Closing is found to have been retained by Seller or a controlled Affiliate thereof, either directly or indirectly, and is not otherwise provided pursuant to the Transition Services Agreement, Seller shall transfer, or shall cause such controlled Affiliate to transfer, for no consideration, such right, property or asset as soon as practicable to Purchaser or an Affiliate thereof (including a Group Company) designated by Purchaser.

Section 5.17. Exclusivity

. During the period from the date of this Agreement until the earlier of the Closing Date and the termination of this Agreement pursuant to Article VIII hereof (the "Exclusivity Period"), Seller and the Company shall not (and shall cause the Company's Subsidiaries not to) take, or authorize, knowingly encourage or instruct any other Person on behalf of Seller or the Company to take, directly or indirectly, any action to (a) initiate, knowingly encourage or engage in discussions or negotiations with, (b) solicit, initiate or knowingly encourage the making, submission or announcement of any proposal by, (c) execute or enter into any letter of intent or other Contract with, (d) provide any confidential and non-public information exclusively relating to the Business to, or (e) approve or recommend a proposal by, in each case of clauses (a) through (e), any Person (other than Purchaser, its Affiliates and any of its or their respective Representatives) concerning any purchase by such Person of all or substantially all of the assets of the Company Group, whether through a stock sale, merger, license, sale of assets or other transaction (each, an "Acquisition Proposal"); provided, however, that any Exempt Transaction (as defined below) shall not be considered an "Acquisition Proposal". Immediately following the execution of this Agreement, Seller and the Company shall (and shall cause the Company's Subsidiaries to) cease and cause to be terminated all existing discussions, conversations, negotiations and other communications with any Person (other than Purchaser, its Affiliates and any of its or their respective Representatives) conducted heretofore with respect to any Acquisition Proposal, including by shutting down any data room access for such Persons and their Representatives, and promptly after the date hereof, instruct any Person (other than Purchaser, its Affiliates and any of its or their respective Representatives) who has entered into a confidentiality agreement with Seller or any of its Affiliates in connection with an Acquisition Proposal that has not expired or been terminated in accordance with its terms to return or destroy the confidential information previously provided to such Persons thereunder in accordance with the terms of such confidentiality agreement. Seller and the Company shall (and shall cause the Company's Subsidiaries to) promptly notify Purchaser in writing of any inquiry, indication of interest, proposal, offer or request for information from any Person (other than Purchaser, its Affiliates and any of its or their respective Representatives) relating to an Acquisition Proposal that is received by the Company, any of its

Subsidiaries or Seller during the Exclusivity Period and, upon written request by Purchaser, Seller shall provide to Purchaser the identity of the Person making or submitting such inquiry, indication of interest, proposal, offer or request, and the material terms and conditions thereof. An “Exempt Transaction” means any inquiry, offer or proposal, or any expression of interest, by any third party relating to (A) a sale of Parent, or any merger, consolidation, recapitalization, tender or exchange offer, or other business combination transaction to acquire Parent, (B) a direct or indirect acquisition or purchase by any person or entity of any business division of Parent (other than the Company Group) or more than 50% of the assets, equity or other property of Parent, (C) any merger, consolidation, recapitalization, liquidation, dissolution or similar transaction which would result, directly or indirectly, in the disposition of more than 50% of the assets, equity or other property of Parent, in each case whether in one transaction or a series of related transactions, in each case of clauses (A), (B) and (C), in which any remaining obligations of Seller and the Company under this Agreement will be fully assumed (including by operation of Law, if applicable) by, or remain with, as applicable, the entity or entities that continue to own the Company Group and the assets necessary for the Seller to perform its obligations hereunder and under any Transaction Agreement. For the avoidance of doubt, nothing in this Agreement shall restrict Parent or any of its Affiliates from taking steps to effect the separation of Parent into two independent, publicly traded companies as reported by Parent on its current report on Form 8-K filed with the Securities Exchange Commission on May 5, 2021.

Section 5.18. Financing

(a) Purchaser shall (i) use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to arrange, obtain and consummate the Financing on the terms and conditions described in or contemplated by the Commitment Letters (including complying with any request requiring the exercise of so-called “market flex” provisions in the fee letter) as promptly as practicable after the date hereof, including using reasonable best efforts to (A) maintain in full force and effect the Commitment Letters, (B) negotiate and execute definitive agreements with respect to the Debt Financing substantially on the terms contained in the Debt Commitment Letter (including any “market flex” provisions applicable thereto) or on such other terms that do not in any respect expand on the conditions to the funding of the Financing at the Closing or reduce the aggregate amount of the Financing available to be funded at the Closing to an amount less than the Financing Uses (such definitive agreements, the “Definitive Financing Agreements”), (C) enforce its rights under the Commitment Letters and (D) satisfy on a timely basis (or obtain the waiver of) all conditions and covenants applicable to Purchaser in the Commitment Letters and such Definitive Financing Agreements that are to be satisfied by Purchaser and to consummate the Financing at or prior to the Closing, in each case, to the extent necessary to cause the funding thereunder on the Closing Date to be in an amount, together with amounts funded under the Equity Commitment Letter, not less than the Financing Uses, and (ii) comply with its obligations under the Commitment Letters and the Definitive Financing Agreements to the extent necessary to cause the aggregate amount of funding thereunder on the Closing Date to be in an amount not less than the Financing Uses. Purchaser shall obtain the Equity Financing contemplated by the Equity Commitment Letter upon satisfaction or waiver of the conditions to Closing in Section 7.1 and Section 7.2 (other than those conditions that are by their nature to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions at the Closing). Purchaser shall keep Seller informed on a reasonably current basis in reasonable detail of any material developments concerning the status of its efforts to arrange the Debt Financing, including such information regarding the Debt Financing as shall be reasonably necessary and requested by Seller to allow Seller to monitor the progress of such financing activities (it being acknowledged and agreed that nothing herein shall obligate Purchaser to provide Seller with copies of any Definitive Financing Agreements).

(b) In the event any portion of the Debt Financing becomes unavailable on the terms and conditions (including any “market flex” provisions applicable thereto) contemplated in the Debt Commitment Letter, Purchaser shall promptly notify Seller, and Purchaser shall use its reasonable best

efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to arrange to obtain alternative financing from alternative sources in an amount sufficient, when added to the portion of the Financing that is and remains available to Purchaser, to pay the Financing Uses on the Closing Date (“Alternative Financing”) as promptly as practicable following the occurrence of such event and to obtain and provide Seller with a copy of, the new financing commitment that provides for such Alternative Financing (the “Alternative Financing Commitment Letter”), which Alternative Financing Commitment Letter will not (i) include conditions (including any “market flex” provisions applicable thereto) to the availability of the Debt Financing on the Closing Date that are, taken as a whole, less beneficial in any material respect to Purchaser than those contemplated in the Debt Commitment Letter (including any “market flex” provisions applicable thereto) or (ii) include terms or conditions reasonably expected to prevent, impede, or delay the funding of the Financing on the Closing Date. In furtherance of, and not in limitation of, the foregoing, in the event that any portion of the Debt Financing becomes unavailable, regardless of the reason therefor, but any bridge facilities contemplated by the Debt Commitment Letter (or alternative bridge facilities constituting Alternative Financings obtained in accordance with this Section 5.18(b)) are available on the terms and conditions described in the Debt Commitment Letter (or replacements thereof), then Purchaser shall cause the proceeds of such bridge financing to be used in lieu of such contemplated Debt Financing (or portion thereof, as the case may be) as promptly as practicable. As applicable, references in this Agreement (other than with respect to representations in this Agreement made by Purchaser that speak as of the date hereof) (i) to the Debt Financing shall include Alternative Financing, (ii) to Commitment Letter or Debt Commitment Letter shall include the Alternative Financing Commitment Letter and (iii) to Definitive Financing Agreements shall include the definitive documentation relating to any such Alternative Financing.

(c) Without limiting the generality of Section 5.18(b), Purchaser shall promptly (and, in any event, within two (2) Business Days of obtaining knowledge thereof) notify Seller in writing of the occurrence of any of the following: (i) termination, repudiation, rescission, cancellation or expiration of any Commitment Letter or Definitive Financing Agreement, (ii) any breach or default (or any event or circumstance that, with or without notice, lapse of time or both, could reasonably be expected to give rise to any breach or default) under any Commitment Letter or Definitive Financing Agreement by any party to such Commitment Letter or Definitive Financing Agreement (in the case of any such breach or default by Purchaser, limited to any such breach or default that would reasonably be expected to result in the aggregate amount of Financing to be funded on the Closing Date being less than the amount of the Financing Uses), (iii) receipt by any of Purchaser or any of its Affiliates or Representatives of any notice or other communication from any Debt Financing Source with respect to any (A) actual, threatened or alleged breach, default, termination, rescission or repudiation by any party to any Commitment Letter or Definitive Financing Agreement or any provision of any provision of any Commitment Letter or Definitive Financing Agreement (including any proposal by any Debt Financing Source, lender or other Person to withdraw, terminate, repudiate, rescind or make a material change in the terms of (including the amount of Financing contemplated) any Commitment Letter) or (B) material dispute or disagreement between or among any parties to any Commitment Letter or Definitive Financing Agreement to the extent such material dispute or disagreement would reasonably be expected to result in the aggregate amount of Financing to be funded on the Closing Date being less than the amount of the Financing Uses or (iv) if for any reason Purchaser in good faith believes that (A) there is a dispute or disagreement between or among any parties to any Commitment Letter or any Definitive Financing Agreement or (B) there is a possibility that it will not be able to obtain any portion of the Financing on the terms, in the manner or from the sources contemplated by the Commitment Letters or the Definitive Financing Agreements, in each case, that would reasonably be expected to result in the aggregate amount of Financing to be funded on the Closing Date being less than the amount of the Financing Uses. As soon as reasonably practicable, but in any event within three (3) Business Days, Purchaser shall provide to Seller and its Representatives any and all information reasonably requested by Seller relating to any of the circumstances referred to in this Section 5.18(c).

(d) Purchaser shall not permit or consent to or agree to (i) any amendment, restatement, replacement, supplement, termination or other modification or waiver of any provision or remedy under, the Equity Commitment Letter (other than to increase the amount of Equity Financing available thereunder), (ii) any amendment, restatement, replacement, supplement, termination or other modification or waiver of any provision or remedy under, the Debt Commitment Letter or Definitive Financing Agreement if such amendment, restatement, supplement, termination, modification or waiver would (A) impose new or additional conditions precedent to the funding of the Debt Financing on the Closing Date or would otherwise change, amend, modify or expand any of the conditions precedent to the funding of the Debt Financing on the Closing Date, in any such case, from those set forth in the Debt Commitment Letter on the date of this Agreement, (B) change the timing of the funding of the Financing on the Closing Date thereunder, (C) be reasonably expected to impair, delay or prevent the availability of all or a portion of the Financing on the Closing Date in such amount, (D) reduce the aggregate cash amount of the Debt Financing (including by changing the amount of fees to be paid or original issue discount of the Debt Financing (except as set forth in any “market flex” provisions existing on the date of this Agreement)) to be funded on the Closing Date to an amount that, together with the Equity Financing, is less than the amount of the Financing Uses or (E) otherwise adversely affect the ability of Seller or Purchaser to enforce its rights under the Equity Commitment Letter or the Purchaser to enforce its rights under the Debt Commitment Letter, in each case, to cause the funding of the Financing on the Closing Date in an aggregate amount not less than the Financing Uses or by making such funding of the Financing less likely to occur or (iii) the early termination of the Commitment Letters or any Definitive Financing Agreement (except as expressly set forth therein on the date hereof). Purchaser shall furnish to Seller a copy of any amendment, restatement, replacement, supplement or modification of the Commitment Letters or the Definitive Financing Agreements, or any waiver or consent by Purchaser thereunder that adversely impacts Purchaser’s right to cause the funding thereunder on the Closing Date, in each case promptly upon execution thereof. Purchaser shall use its reasonable best efforts to maintain the effectiveness of the Commitment Letters until the transactions contemplated by this Agreement are consummated; provided however for the avoidance of doubt, Purchaser may amend, replace, supplement and/or modify the Debt Commitment Letter in a manner not in violation of the foregoing provisions of this clause (d), including to add lenders, lead arrangers, bookrunners, syndication agents or similar entities as parties thereto who have not executed the Debt Commitment Letter as of the date hereof. For purposes of this Agreement (other than with respect to representations in this Agreement made by Purchaser that speak as of the date hereof), references to the “Debt Commitment Letter” shall include such document as amended, restated, replaced, supplemented or otherwise modified or waived in a manner not in violation of this clause (d), in each case from and after such amendment, restatement, replacement, supplement or other modification or waiver.

(e) If the Debt Commitment Letters are replaced, amended, supplemented or modified, including as a result of obtaining Alternative Financing, or if Purchaser substitutes other debt financing for all or any portion of the Debt Financing in accordance with this Section 5.18, Purchaser shall comply with its obligations under this Agreement, including this Section 5.18, with respect to the Debt Commitment Letters as so replaced, amended, supplemented or modified to the same extent that Purchaser were obligated to comply prior to the date the Debt Commitment Letters were so replaced, amended, supplemented or modified. Notwithstanding anything in this Section 5.18 to the contrary, compliance by Purchaser with this Section 5.18 shall not relieve Purchaser of its obligation to consummate the transactions contemplated by this Agreement whether or not the Financing is available and Purchaser acknowledges that this Agreement and the transactions contemplated hereby are not contingent on Purchaser’s ability to obtain the Financing (or any Alternative Financing) or any specific term with respect to such financing.

(f) Purchaser’s obligations under this Section 5.18 shall automatically terminate upon consummation of the Closing.

(a) Prior to the Closing Date, Seller agrees to use reasonable best efforts to provide, and shall cause the Company Group and their respective officers, directors and employees to use, reasonable best efforts to provide, in each case at Purchaser's sole expense, and shall use its commercially reasonable best efforts to direct its and their respective Representatives to provide such cooperation as may be reasonably requested by Purchaser that is necessary or customary for financings of the type contemplated in connection with the arrangement of the Debt Financing contemplated by the Debt Commitment Letter, including using reasonable best efforts to:

(i) furnish to Purchaser (A) the Required Financial Information within 15 days after the end of the applicable fiscal quarter end and (B) such other pertinent and customary information regarding the Business as may be reasonably requested by Purchaser to the extent that such information is required in connection with the Debt Commitment Letter; provided that (I) Seller and the Company Group shall only be obligated to deliver such information to the extent such information may be obtained from the Books and Records of Seller and the Business without undue effort or expense and without any delay in timing of the consummation of the transactions contemplated by this Agreement and (II) in connection with the foregoing clause (B), Seller and the Company Group shall not be obligated to furnish any of the Excluded Information;

(ii) upon reasonable prior notice and at reasonable times and locations to be mutually agreed, cause members of management of the Business to participate in a reasonable number of meetings and presentations with prospective lenders, and sessions with the ratings agencies contemplated by the Debt Commitment Letter, in each case in connection with the Debt Financing and only to the extent customarily needed for financings of the type contemplated by the Debt Commitment Letter;

(iii) cause members of management of the Business to reasonably (A) assist Purchaser in its preparation of any bank information memoranda and related lender presentations, (B) assist Purchaser in its preparation of materials for rating agency presentations; provided that any such bank information memoranda, lender presentations, offering memorandum or similar documents that includes disclosure and financial statements with respect to the Business shall only reflect Purchaser and, following the Closing, the Company Group as the obligor(s) and no such bank information memoranda, lender presentations or materials shall be issued by Seller, its Subsidiaries or the Company Group, and (C) solely with respect to financial information and data derived from the Business's historical Books and Records, provide information to allow Purchaser to prepare the pro forma financial information and pro forma financial statements in connection with the Debt Commitment Letter, and in each case of clauses (A) through (C), only to the extent customarily needed for financings of the type contemplated by the Debt Financing, it being agreed that information and assistance will not be required relating to (I) the proposed aggregate amount of debt and equity financing, together with assumed interest rates, dividends (if any) and fees and expenses relating to the incurrence of such debt or equity financing, (II) any post-Closing or pro forma cost savings, synergies, capitalization, ownership or other pro forma adjustments desired to be incorporated into any information used in connection with the Debt Financing or (III) any financial information related to Purchaser or any of its Subsidiaries or any adjustments that are not directly related to the acquisition of the Business by Purchaser;

(iv) reasonably facilitating the provision of guarantees and the pledging of collateral (provided that (A) none of the documents or certificates shall be executed and/or delivered except in connection with the Closing, (B) the effectiveness thereof shall be conditioned upon, or become

operative after, the occurrence of the Closing and (C) no liability shall be imposed on Seller, any Group Company or any of their respective officers or employees involved); and

(v) (i) cause the members of management of Company Group, with appropriate seniority and expertise, to reasonably assist in the preparation of the principal Definitive Financing Agreements (including all schedules, exhibits and annexes thereto), (ii) cause the Company Group to execute and deliver as of the Closing (but not prior to Closing) customary Definitive Financing Agreements, in each case, as may be reasonably requested by Purchaser in connection with the Debt Financing (in each case to be held in escrow pending the Closing) (provided, that (A) none of the foregoing documents or certificates shall be executed and/or delivered except in connection with the Closing, (B) the effectiveness thereof shall be conditioned upon, or become operative after or concurrently with, the occurrence of the Closing, and (C) no liability shall be imposed on Seller or its Subsidiaries, any of the Company Group or any of their respective officers or employees involved) and (iii) obtain and facilitate the termination or release of all Seller Debt Obligations as described in Section 5.10(c).

Notwithstanding anything to the contrary in this Section 5.19(a), nothing will require Seller or the Company Group to provide (or be deemed to require Seller or the Company Group to prepare) any (1) pro forma financial statements or (2) projections (“Excluded Information”).

(b) Notwithstanding anything herein to the contrary, (i) such requested cooperation shall not (A) unreasonably disrupt or interfere with the business or the operations of Seller or its Subsidiaries, including the Business or (B) cause significant competitive harm to Seller or its Subsidiaries, including the Business, if the transactions contemplated by this Agreement are not consummated, (ii) nothing in this Section 5.19 shall require cooperation to the extent that it would (A) subject any of Seller’s or its Subsidiaries’, including the Company Group’s, respective directors, managers, officers or employees to any actual or potential personal liability, (B) reasonably be expected to conflict with, or violate, Seller’s and/or any of its Subsidiaries’, including the Company Group’s, organization documents or any Law, or result in the contravention of, or violation or breach of, or default under, any Contract to which Seller or any of its Subsidiaries, including the Company Group, is a party, (C) cause any condition to the Closing set forth in Section 7.1, Section 7.2 or Section 7.3 to not be satisfied or (D) cause any breach of this Agreement, (iii) neither Seller, any Subsidiary thereof nor any Group Company shall be required to (A) pay any commitment or other similar fee or incur or assume any liability or other obligation in connection with the financings contemplated by the Commitment Letters, the Definitive Financing Agreements or the Financing or be required to take any action that would subject it to actual or potential liability, to bear any cost or expense or to make any other payment or agree to provide any indemnity in connection with the Commitment Letters, the Definitive Financing Agreements, the Financing or any information utilized in connection therewith, (B) deliver or obtain opinions of internal or external counsel, (C) provide access to or disclose information where Seller determines that such access or disclosure could jeopardize the attorney-client privilege or contravene any Law or Contract, or (D) waive or amend any terms of this Agreement or any other Contract to which Seller or its Subsidiaries, including the Company Group, is party, (iv) none of Seller or any of its Subsidiaries, other than the Company Group, or their respective directors, officers or employees, acting in such capacity, shall be required to execute, deliver or enter into or perform any agreement, document or instrument, including any Definitive Financing Agreement, with respect to the Financing or adopt any resolutions or take any other actions approving the agreements, documents and instruments pursuant to which the Financing is obtained, including any Definitive Financing Agreement, and (v) none of the Group Companies or their respective directors, officers or employees shall be required to execute, deliver or enter into, or perform any agreement, document or instrument, including any Definitive Financing Agreement, with respect to the Financing that is not contingent upon the Closing or that would be effective prior to the Closing Date and the directors and managers of the Company Group shall not be required to adopt resolutions approving the agreements, documents and instruments pursuant

to which the Financing is obtained unless Purchaser shall have determined that such directors and managers are to remain as directors and managers of the Company Group on and after the Closing Date and such resolutions are contingent upon the occurrence of, or only effective as of, the Closing. To the extent that this Section 5.19 requires Seller's and the Company Group's cooperation with respect to any of obligations under the Debt Commitment Letter or relating to the Debt Financing, Seller and the Company Group shall be deemed to have complied with this Section 5.19 for purposes of Article VIII of this Agreement if Seller and the Company Group have provided Purchaser with the assistance required under this Section 5.19 with respect to the Debt Commitment Letter and the Debt Financing, in each case without giving effect to any Alternative Financing Commitment Letter or Alternative Financing. Seller hereby consents to the use of logos of the Business in connection with the debt financing contemplated by the Debt Commitment Letter; provided that such logos are used solely in a manner that is not intended to, nor reasonably likely to, harm or disparage Seller, the Company Group or the Business.

(c) Seller and the Company Group shall have no liability whatsoever to Purchaser in respect of any financial information or data or other information provided pursuant to this Section 5.19; provided that the foregoing shall in no way limit liability in respect of Seller's or, prior to the Closing, the Company Group's, gross negligence, bad faith or fraud as determined by a court of competent jurisdiction in a final and non-appealable decision. Purchaser shall indemnify, defend and hold harmless each of Seller, its Subsidiaries, including the Company Group, and their Affiliates and Representatives from and against any and all liabilities, losses, damages, claims, costs, expenses, interest, awards, judgments and penalties suffered or incurred by them in connection with the Debt Financing and the performance of their respective obligations under this Section 5.19 and any information utilized in connection therewith, other than in to the extent such liability is a result of the Seller's or, prior to the Closing, the Company Group's, gross negligence, bad faith or fraud as determined by a court of competent jurisdiction in a final and non-appealable decision. Purchaser shall, promptly upon written request of Seller, reimburse Seller and its Subsidiaries, including the Company Group, for all reasonable and documented out-of-pocket fees, costs and expenses incurred by Seller or its Subsidiaries, including the Business and the Company Group, (including those of its Affiliates and Representatives) in connection with the cooperation required by this Section 5.19.

(d) Notwithstanding the foregoing or anything herein to the contrary, Seller agrees to provide, and shall cause the Company Group and their respective officers, directors and employees to provide, in each case at Purchaser's sole expense, and shall direct its and their respective Representatives to provide to Purchaser (i) at least six (6) Business Days prior to the Closing Date, all documentation and other information with respect to the Company Group as shall have been requested in writing by Purchaser at least nine (9) Business Days prior to the Closing Date that is required by the Debt Financing Sources to satisfy the conditions set forth in paragraph 5 of the Debt Commitment Letter as in effect on the date hereof, including information required by U.S. regulatory authorities under applicable "know-your-customer" and anti-money laundering rules and regulations, including the Patriot Act, and (ii) at least one (1) Business Day prior to the Closing Date, executed customary payoff letters and lien releases, in form and substance reasonably satisfactory to Purchaser and the Debt Financing Sources, in respect of Indebtedness described in clause (iv) of Section 3.12 of the Disclosure Schedules (other than Indebtedness owing to Automotive Rentals, Inc.) and the Seller Debt Obligations (which, in the case of Seller Debt Obligations, shall release the Company Group and its assets from all Seller Debt Obligations).

(e) For the avoidance of doubt, the parties hereto acknowledge and agree that the provisions contained in this Section 5.19 represent the sole obligation of Seller, its Subsidiaries, the Company Group and their Affiliates and their respective Representatives with respect to cooperation in connection with the arrangement of the Financing and no other provision of this Agreement (including the Exhibits and Schedules hereto) shall be deemed to expand or modify such obligations.

Section 5.20. Holding Fee.

(a) During the Statement Period, Purchaser shall not, shall cause the Company Group not to, and shall not permit the Guarantor Group and the Purchaser Parent Group to, cause the distribution, dividend or other transfer of any Relevant Receipts from Purchaser or the Company Group other than in accordance with this Section 5.20.

(b) After Guarantor Group (directly or by way of the Purchaser Parent Group) has received, in the aggregate, any dividends, distributions, proceeds from the liquidation, dissolution, recapitalization, reclassification, or winding up of the Company Group or any member thereof, proceeds from the direct or indirect sale, transfer, lease or other disposition of any of the Company Group's (or any of its member's) business or assets, proceeds from the direct or indirect issuance by any Group Company of any equity interest in the Company Group or any member thereof, or the direct or indirect acquisition of all or any portion of the equity interests in the Company Group or any member thereof, proceeds from the repayment for any loan advanced by Purchaser, Purchaser Parent or the Guarantor Group, including any payment of interest in cash, or any other receipts in respect of the Guarantor Group's direct or indirect ownership interest in the Purchaser Parent Group, or the disposal of that ownership interest or of any part of it (such receipts being the "Relevant Receipts" and, to the extent that any of the foregoing are received other than in cash, the net cash proceeds of them as and when realized by the Guarantor Group will be deemed to be Relevant Receipts, provided that, to the extent any of the foregoing are distributed to the limited partners of the Guarantor Group in a form other than cash, then the fair market value thereof as of the time of such distribution shall be deemed to be Relevant Receipts) equal to (i) 3.0 times the amount of equity capital contributed at or within 14 days of the Closing in cash (by way of any subscription for shares of capital stock or other equity interests) by the Guarantor Group to the Purchaser Parent Group *plus* (ii) the amount of equity capital contributed on or following the 15th day after Closing, in cash (by way of any subscription for shares of capital stock or other equity interests) by the Guarantor Group to the Purchaser Parent Group, which amount in this clause (ii) shall be increased by 15% per annum, thereafter, from time to time, if the Guarantor Group receives or is deemed to receive any additional Relevant Receipts (such additional Relevant Receipts being the "Excess Relevant Profits"), Purchaser shall make, or shall cause the making of, a cash payment to Seller or its designees of an amount equal to 50% of any such Excess Relevant Profits (the "Seller Relevant Profits", and the remaining 50% of such Excess Relevant Profits, the "Purchaser Relevant Profits") as a holding fee ("Holding Fee"), subject to a cap of \$125,000,000 in aggregate, no later than five (5) Business Days after the date the Guarantor Group actually receives or is deemed to receive the corresponding Purchaser Relevant Profits from time to time, provided, that if any portion of the Purchaser Relevant Profits are distributed to the limited partners of the Guarantor Group in the form of non-cash proceeds, then Purchaser may pay up to such portion of the Seller Relevant Profits in the same form of non-cash receipts and subject to the same terms (which non-cash proceeds will, for the avoidance of doubt, be valued at the fair market value thereof as of the date of such distribution).

(c) During the Statement Period, Purchaser shall, along with the quarterly financial statements delivered under Section 5.20(d), send to Seller a statement of the aggregate amount of the Relevant Receipts received (if any) by the Guarantor Group, the amount of Excess Relevant Profits received (if any) by the Guarantor Group in the form of Purchaser Relevant Profits and the amount of the Holding Fee paid (if any) in the form of Seller Relevant Profits to the Seller, in each such case, since the last such statement and in the aggregate.

(d) During the Statement Period, Purchaser shall deliver to Seller within forty-five (45) days after the end of each fiscal quarter unaudited quarterly financial statements and within one hundred and twenty (120) days after the end of each fiscal year, audited annual financial statements (solely to the extent audited financial statements are prepared with respect to such fiscal year, and otherwise, unaudited annual financial statements), provided that, in lieu thereof, for as long as Purchaser is obligated to deliver financial

statements to the lenders under the credit facility of the Purchaser and the other borrowers and guarantor party thereto with PNC Bank, National Association, as agent, and certain lenders party thereto (together with any replacements, supplements, amendments or other modifications thereto), Purchaser shall deliver to Seller any unaudited quarterly financial statements or audited annual financial statements in the same form delivered to such lenders promptly and in any event within five (5) Business Days after delivery thereof to such lenders.

(e) Until there has been a Complete Disposal, if Purchaser or any Group Company or any of their respective successors or assigns (i) shall consolidate with or merge into any other corporation or entity and shall not be the continuing or surviving entity or entity of such consolidation or merger or (ii) shall transfer all or a significant portion of its properties and assets to any individual, corporation or other entity, then, and in each such case, proper provisions shall be made so that the successors and assigns of Purchaser or the Company Group shall assume or succeed to all of the obligations set forth in this Section 5.20.

(f) For purposes of this Section 5.20, the following terms shall have the meanings assigned below:

“Guarantor Group” means the Guarantor and any of its Affiliates other than the Purchaser Parent Group.

“Purchaser Parent” means Project Heritage Holdings, Inc.

“Purchaser Parent Group” means the Purchaser Parent, its Subsidiaries and the Group Companies (whether or not Subsidiaries of the Purchaser Parent so long as they are beneficially owned (as defined in Rule 13d-3(a) promulgated under the Securities Exchange Act of 1934 or any successor provision thereto) by the Guarantor Group or any of their respective successors or assigns.

“Statement Period” means the period from the date of Closing until the Holding Fee has been paid to Seller or its designees in full or, if earlier, the later of the date when (i) directly or indirectly, the Guarantor Group ceases to beneficially own (as defined in Rule 13d-3(a) promulgated under the Securities Exchange Act of 1934 or any successor provision thereto) any ownership interest in any member of the Company Group or the Purchaser Parent Group (such cessation of ownership being the “Complete Disposal”) and (ii) the date when the last of the Relevant Receipts in respect of the Complete Disposal is received by the Guarantor Group.

Section 5.21. Cash Sweep.

Notwithstanding anything to the contrary set forth in this Agreement, at any time prior to 11:59 p.m. Eastern Time on the date immediately before the Closing Date, Seller and its Affiliates shall use commercially reasonable efforts to transfer or cause to be transferred all Cash Amounts from the bank accounts of each Group Company (other than CompuCom — CSI Systems India Private Limited) to any bank account or accounts controlled by Seller or any of its Affiliates (other than any Group Company) save that the Seller shall leave Cash Amounts in CCSI – CompuCom GSC Mexico, S. de R.L. de C.V. not exceeding \$2,500,000 as of 11:59 p.m. Eastern Time on the date immediately before the Closing Date.

Section 5.22. Collection on Certain Accounts Receivables.

From the Closing until six (6) months following the Closing Date, Purchaser shall, and shall cause its Affiliates (including the Company Group) to use commercially reasonable efforts to, (a) collect, in the ordinary course of business consistent with the past practice of the Company Group, accounts receivables of the Company Group that, as of the Closing Date, remain past due by more than 120 days, and (b) nine (9) months following the Closing Date, remit to Seller (or any of its designees) all cash (net of expenses

incurred in connection with collecting such cash) from any such collections until Seller has received cash (gross of any such expenses) pursuant to this Section 5.22 in the aggregate amount of \$5,000,000.

Section 5.23. Remittance of Certain Excess Cash.

Purchaser shall, and shall cause its Affiliates (including the Company Group) to use commercially reasonable efforts to, promptly following the Closing, remit to Seller any Excess Cash in CompuCom — CSI Systems India Private Limited, net of any Taxes or other fees and expenses payable with respect to any repatriation to the United States of such amounts of Excess Cash.

ARTICLE VI
CERTAIN TAX MATTERS

Section 6.1. Tax Returns; Allocations

(a) The parties hereto shall, to the extent permitted by Law (at a “more likely than not” standard), allocate any tax deductions related to the Company Transaction Expenses to the Pre-Closing Tax Period and shall apply the 70% safe harbor election under Revenue Procedure 2011-29 to any “success-based fees”. For purposes of this Agreement, in the case of any Taxes of any Group Company that are payable with respect to a Straddle Period, the portion of any such Taxes for periods or portions thereof ending on or before the Closing Date will (A) in the case of Taxes based upon or related to income, gain or receipts, be the amount that would be payable if the Straddle Period had ended at the end of the day on the Closing Date and the books of the Company Group were closed as of the close of such date, (B) in the case of Taxes imposed on specific transactions or events, be the Taxes imposed on specific transactions or events occurring on or before the Closing Date, and (C) in the case of Taxes imposed on a periodic basis, or in the case of any other Taxes not covered by clauses (A) or (B) above, be the amount of such Taxes for the entire Straddle Period multiplied by a fraction (x) the numerator of which is the number of calendar days in the period ending on the Closing Date and (y) the denominator of which is the number of calendar days in the entire Straddle Period. For the avoidance of doubt, this Section 6.1(a) does not address Transfer Taxes, the payment of which is addressed in Section 6.6. The parties hereto shall prepare all Tax Returns consistent with the foregoing.

(b) Seller shall prepare and timely file, or cause to be prepared and timely filed, (i) any Tax Returns of any combined, consolidated, affiliated or unitary group that includes any Group Company and for which Parent or Seller (or any Affiliate thereof that is not a Group Company) is the common parent (“Seller Consolidated Returns”) and (ii) any other income Tax Returns of the Company Group for Pre-Closing Tax Periods that is required to be filed prior to the Closing Date (including any thereof extensions) (“Seller Separate Returns”, and together with the Seller Consolidated Returns, the “Seller Prepared Returns”). Seller shall include the Company Group’s income (including any deferred items triggered into income by Treasury Regulations Section 1.1502-13 and any excess loss account taken into income under Treasury Regulations Section 1.1502-19) on the Seller Consolidated Returns as and to the extent provided by the Treasury Regulations under Section 1502 of the Code. Seller shall pay all Taxes due with such Seller Prepared Returns, except to the extent such Tax return includes any amounts included in the Cash Sweep Withholding Amount, in which case Purchaser shall bear and pay such Taxes over to Seller reasonably in advance of date such Tax Returns are filed. Except to the extent inconsistent with applicable Law, any such Seller Separate Returns shall be prepared in accordance with past practice. For the avoidance of doubt, Purchaser shall have no rights to review or comment on any Seller Consolidated Returns. Purchaser shall have a reasonable opportunity to review any Seller Separate Returns, and Seller shall consider in good faith any reasonable comments made by Purchaser on such Seller Separate Returns.

(c) Following the Closing, Purchaser shall prepare and timely file, or cause to be prepared and timely filed, all Tax Returns of the Company Group (other than any Seller Consolidated Returns) for any Pre-Closing Tax Period that are not described in Section 6.1(b). Purchaser shall provide any such Tax Returns to Seller for its review and comment no less than 15 days prior to the due date for filing such Tax Return, and Purchaser shall consider in good faith any reasonable comments made by Seller on such Tax Returns. Seller shall pay to Purchaser (or an appropriate member of the Company Group) any Pre-Closing Taxes reported on such Tax Returns reasonably in advance of date such Tax Returns are filed, except to the extent as applicable, such Taxes are reflected, recorded or included in the Cash Sweep Withholding Amount, Funded Debt or Working Capital on the Post-Closing Statement.

(d) Without the prior written consent of Seller (such consent not to be unreasonably withheld, conditioned or delayed), except as required by applicable Law, Purchaser shall not file or amend or permit the Company to file or amend any Tax Return relating to any taxable period (or portion thereof) ending on or before the Closing Date, or make or change any election that is retroactive to any taxable period (or portion thereof) ending on or before the Closing Date, if such amendment or election would result in an increase in any Tax liability included in Closing Working Capital, require Seller or its Affiliates to bear any additional Taxes pursuant to this Agreement, or reasonably be expected to result in Seller or its Affiliates being required to file any amended Seller Consolidated Return, or otherwise take any action that could reasonably be expected to have an adverse effect on Seller or any Affiliate of Seller for any taxable period or portion thereof prior to the Closing.

(e) The amount of any refunds of Pre-Closing Taxes that are received by a member of the Company Group (or any credit or offset against in lieu of a refund of Taxes for which Seller is responsible under this Agreement) shall be paid to Seller promptly upon receipt thereof, less any out-of-pocket costs and expenses incurred in connection with obtaining such refund, other than refunds (i) resulting from a carryback of a loss or other tax asset from a Post-Closing Tax Period; (ii) as a result of any change in Law after the Closing; or (iii) reflected, recorded or included in Working Capital on the Post-Closing Statement. Following the filing of any Tax Return that includes the payment of any Taxes that were included in the calculation of the Cash Sweep Withholding Amount, if the amount of such Taxes required to be paid over to the relevant Governmental Entity is less than the amount included in the Cash Sweep Withholding Amount, Purchaser shall promptly pay the difference to Seller

(f) Following the Closing, Purchaser shall reasonably cooperate, and shall cause its Affiliates (including the Company Group) and its and their respective Representatives to reasonably cooperate, in connection with the preparation and filing of any Tax Returns by any other party; provided, that notwithstanding anything to the contrary contained in this Agreement, under no circumstances shall Seller or its Affiliates or agents be obligated to furnish or provide to Purchaser or its Affiliates or their respective Representatives any Seller Consolidated Returns.

(g) Notwithstanding anything to the contrary in this Agreement, the parties acknowledge and agree that it is their mutual intention that the Seller bears the Cash Sweep Withholding Amount and that such amounts shall not be duplicated or borne by Seller more than once. Furthermore, the parties acknowledge and agree that to the extent the Cash Sweep Withholding Amount exceeds the amount of actual Tax required to be paid in respect thereof, such excess amounts shall be for the benefit of Seller.

Section 6.2. Notice of Tax Contests

. If Purchaser receives written notice from a Governmental Entity of an audit or other legal proceeding or a written notice of deficiency for Taxes of the Company Group relating to a Tax Return filed on or prior to the Closing Date and for Taxes which Seller is obligated to indemnify Purchaser pursuant to Article IX (a "Pre-Closing Tax Proceeding"), Purchaser shall notify Seller of its receipt of such communication as soon as reasonably practicable; provided, however, that no delay on the part of the Purchaser in notifying the Seller will relieve the Seller from any obligation under

this Article VI or Article IX, except to the extent such delay actually prejudices the Seller. Seller shall have the exclusive right to control the audit of any Seller Consolidated Return; provided, however, that the Seller shall keep Purchaser reasonably informed with respect to the commencement, status, and nature of such audit. In addition, Seller shall have the right to control all Pre-Closing Tax Proceedings that do not involve a Seller Consolidated Return; provided, however, that Seller shall (i) keep Parent reasonably informed with respect to the commencement, status and nature of such audit, (ii) provide Parent with opportunity to participate (at its own expense) in the conduct of such Pre-Closing Tax Proceeding and (iii) shall not settle or otherwise resolve any Pre-Closing Tax Proceeding without Purchaser's consent (such consent not to be reasonably withheld, conditioned or delayed). Purchaser shall have the exclusive right to control any other Tax audit, contest or proceeding of the Company, and Seller shall have the exclusive right to control any Tax audit, contest or proceeding relating to a Seller Consolidated Return.

Section 6.3. Cooperation on Tax Matters

. Purchaser and Seller shall cooperate fully (and shall cause the Company Group to cooperate fully), as and to the extent reasonably requested by the other party hereto, in connection with any Tax matters relating to the Company Group (including by the provision of reasonably relevant records or information). The party hereto requesting such cooperation will pay the reasonable out-of-pocket expenses of the other party.

Section 6.4. Tax Sharing Agreements

. To the extent relating to the Company Group, Seller shall terminate or cause to be terminated, on or before the Closing Date, all Tax Sharing Agreements (other than this Agreement), if any, to which any Group Company, on the one hand, and Seller or any of its Affiliates (other than the Company Group), on the other hand, are parties, and neither Seller nor any of its Affiliates nor any Group Company or their respective Subsidiaries shall have any rights or obligations thereunder after the Closing.

Section 6.5. No Section 338 Election

. Purchaser shall not make any election under Section 338 of the Code (or any similar provision under state, local, or non-U.S. Tax related Law) with respect to the acquisition of the Company.

Section 6.6. Transfer Taxes

. Notwithstanding anything to the contrary in this Agreement, Purchaser shall pay, when due, and be responsible for, any sales, use, transfer (including real estate transfer), documentary, stamp, value added, goods and services, or similar Taxes imposed on or payable in connection with the transactions contemplated by this Agreement ("Transfer Taxes"). For the avoidance of doubt, a withholding Tax required to be collected from the consideration paid to Seller hereunder shall be treated as a Pre-Closing Tax of the Seller and not as Transfer Tax. The party responsible under applicable Law for filing the Tax Returns with respect to such Transfer Taxes shall prepare and timely file such Tax Returns and promptly provide a copy of such Tax Return to the other party. Seller and Purchaser shall, and shall cause their respective Affiliates to, cooperate to timely prepare and file any Tax Returns or other filings relating to such Transfer Taxes, including any claim for exemption or exclusion from the application or imposition of any Transfer Taxes.

ARTICLE VII
CONDITIONS PRECEDENT

Section 7.1. Conditions to Each Party's Obligations to Close

. The respective obligations of Seller and Purchaser to effect the Closing is subject to the satisfaction or waiver at or prior to the Closing of the following conditions:

(a) Antitrust Approvals. Approvals and/or termination or expiration of any applicable waiting periods (including any extension thereof) required to be obtained or to have occurred under the Antitrust

Laws of the jurisdictions listed on Section 7.1(a) of the Seller Disclosure Schedules prior to Closing shall have been obtained or shall have occurred.

(b) No Injunctions or Restraints. No applicable Law shall be in effect, and no injunction or other Judgment issued by any court of competent jurisdiction or other Governmental Entity shall have been entered and remain in effect, in each case, which prevents the consummation of the Transaction.

Section 7.2. Conditions to Obligations of Purchaser to Close

. The obligation of Purchaser to effect the Closing is subject to the satisfaction (or waiver by Purchaser) at or prior to the Closing of the following additional conditions:

(a) Representations and Warranties. (i) Each of Seller's Fundamental Representations shall be true and correct in all respects (other than de minimis exceptions that do not result in Purchaser failing to acquire 100% of the Equity Interests of the Company) on and as of the date of this Agreement and the Closing Date as if made on such date (other than any such representation or warranty that expressly relates to a specified date, which representation and warranty shall be so true and correct on the date so specified), (ii) the representations and warranties of Seller set forth in Section 3.2 shall be true and correct in all respects on and as of the date of this Agreement and the Closing Date as if made on such date (except for any failure to be so true and correct that is *de minimis* in nature), (iii) the representations and warranties of Seller set forth in Section 3.9(b) shall be true and correct in all respects on and as of the date of this Agreement and the Closing Date as if made on such date, and (iv) all other representations and warranties of Seller contained in Article III of this Agreement (without giving effect to any "material" or "Company Material Adverse Effect" qualifier or other similar qualifier therein), shall be true and correct on and as of the date of this Agreement and the Closing Date as if made on and as of such date (other than any such representation or warranty that expressly relates to a specified date, which representation and warranty shall be so true and correct on the date so specified) except, with respect to clause (iii), where the failure of such representations and warranties to be true and correct has not had, or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(b) Performance of Obligations of Seller. All covenants and agreements of Seller and the Company to be performed on or before the Closing Date in accordance with this Agreement shall have been performed in all material respects; provided, however, that with respect to covenants and agreements that are qualified by materiality, each of the Seller and the Company shall have performed and complied with such covenants and agreements in all respects; provided, further the covenants of Seller and the Company to be performed pursuant to Section 2.4(b) shall have been performed in all respects.

(c) Officer's Certificate. Purchaser shall have received a certificate, dated as of the Closing Date and signed on behalf of Seller by an executive officer of Seller, stating that the conditions specified in Section 7.2(a) and Section 7.2(b) have been satisfied.

Section 7.3. Conditions to Obligations of Seller to Close

. The obligation of Seller to effect the Closing is subject to the satisfaction (or waiver by Seller) at or prior to the Closing of the following additional conditions:

(a) Representations and Warranties. (i) Each of Purchaser's Fundamental Representations shall be true and correct in all material respects on and as of the date of this Agreement and the Closing Date as if made on such date (other than any such representation or warranty that expressly relates to a specified date, which representation and warranty shall be so true and correct on the date so specified), and (ii) all of the other representations and warranties of Purchaser contained in Article IV of this Agreement (without giving effect to any "material" or "Purchaser Material Adverse Effect" qualifier or other similar qualifier therein) shall be true and correct on and as of the date of this Agreement and the Closing Date as

if made on and as of such date (other than any such representation or warranty that expressly relates to a specified date, which representation and warranty shall be so true and correct on the date so specified) except, with respect to clause (ii), where the failure of such representations and warranties to be true and correct has not had, or would not reasonably be expected to have, individually or in the aggregate, a Purchaser Material Adverse Effect.

(b) Performance of Obligations of Purchaser. All covenants and agreements of Purchaser to be performed on or before the Closing Date in accordance with this Agreement shall have been performed in all material respects; provided, however, that with respect to covenants and agreements that are qualified by materiality, each of the Purchaser and its applicable Affiliates shall have performed and complied with such covenants and agreements in all respects; provided, further the covenants of Purchaser to be performed pursuant to Section 2.4(a) shall have been performed in all respects.

(c) Officer's Certificate. Seller shall have received a certificate, dated as of the Closing Date and signed on behalf of Purchaser by an executive officer of Purchaser, stating that the conditions specified in Section 7.3(a) and Section 7.3(b) have been satisfied.

Section 7.4. Frustration of Closing Conditions

. Neither Purchaser nor Seller may rely on the failure of any condition set forth in this Article VII to be satisfied if such failure was proximately caused by such party's failure to act in good faith or to use the efforts to cause the Closing to occur as required by this Agreement, including Section 5.1.

ARTICLE VIII
TERMINATION; EFFECT OF TERMINATION

Section 8.1. Termination

. Anything to the contrary in this Agreement notwithstanding, this Agreement may be terminated and the Transaction and the other transactions contemplated by this Agreement abandoned at any time prior to the Closing:

(a) by mutual written consent of Seller and Purchaser;

(b) by Seller, if any of Purchaser's representations and warranties contained in Article IV of this Agreement shall fail to be true and correct or Purchaser shall have breached or failed to perform in any material respect any of its covenants or other agreements contained in this Agreement, and such failure or breach would give rise to the failure of a condition set forth in Section 7.3(a) or Section 7.3(b) to be satisfied as of the Closing Date and is not curable by the Outside Date or has not been cured by the earlier of (i) the date that is thirty (30) Business Days after the date that Seller has notified Purchaser of such failure or breach and (ii) the Outside Date; provided, that Seller and the Company is not then in breach of any of their respective representations, warranties, covenants or agreements contained in this Agreement such that such failure or breach would give rise to the failure of a condition set forth in Section 7.2(a) or Section 7.2(b) to be satisfied as of the Closing Date or if Seller's or the Company's failure to fulfill any obligation under this Agreement has been a proximate cause of the failure of the Closing to occur on or prior to such date;

(c) by Purchaser, if any of Seller's representations and warranties contained in Article III of this Agreement shall fail to be true and correct or Seller or the Company shall have breached or failed to perform in any material respect any of its covenants or other agreements contained in this Agreement, and such failure or breach would give rise to the failure of a condition set forth in Section 7.2(a) or Section 7.2(b) to be satisfied as of the Closing Date and is not curable by the Outside Date or has not been cured by the earlier of (i) the date that is thirty (30) Business Days after the date that Purchaser has notified Seller of such failure or breach and (ii) the Outside Date; provided, that Purchaser is not then in breach of

any of its representations, warranties, covenants or agreements contained in this Agreement such that such failure or breach would give rise to the failure of a condition set forth in Section 7.3(a) or Section 7.3(b) to be satisfied as of the Closing Date or if Purchaser's failure to fulfill any obligation under this Agreement has been a proximate cause of the failure of the Closing to occur on or prior to such date;

(d) by Seller or by Purchaser, if the Closing shall not have occurred on or prior to January 1, 2022 (such date, the "Outside Date"); provided, further, that the right to terminate this Agreement under this Section 8.1(d) shall not be available to any party whose failure to perform any material covenant or obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before such date;

(e) by Seller or by Purchaser, if a permanent injunction or other permanent Judgment issued by a court of competent jurisdiction or other Governmental Entity shall have become final and nonappealable, preventing the consummation of the Transaction; provided, that the party seeking to terminate this Agreement pursuant to this Section 8.1(e) shall have used its reasonable best efforts to prevent the entry of such permanent injunction or other permanent Judgment, as applicable, to the extent required by Section 5.1; provided, further, that the right to terminate this Agreement pursuant to this Section 8.1(e) shall not be available to any party if any action of such party or failure of such party to perform or comply with its obligations under this Agreement shall have caused the denial of such Approval or the entry of such permanent injunction or other permanent Judgment, as applicable, and such action or failure to perform constitutes a breach of this Agreement; or

(f) by Seller, if (i) all conditions in Section 7.1 and Section 7.2 have been satisfied or waived (other than those conditions that by their terms are to be satisfied by the delivery of certificates or other documents at the Closing, but such conditions must be capable of being satisfied on such date as if it were the Closing Date), (ii) Seller stood ready, willing and able to consummate the Transaction and the other transactions contemplated hereby on that date and Seller had given Purchaser written notice on or prior to such date, irrevocably confirming that all conditions set forth in Sections 7.1 and 7.3 have been satisfied (other than those conditions that by their terms are to be satisfied by the delivery of certificates or other documents at the Closing, but such conditions are capable of being satisfied on such date as if it were the Closing Date) or Seller has irrevocably and unconditionally waived in writing any unsatisfied conditions and that if Purchaser complies with its obligations hereunder, then Seller and the Company will take all actions within their control to cause the Closing to occur, and (iii) Purchaser shall have failed to complete the Closing within three (3) Business Days following the receipt of such written notice; provided that during such three (3) Business Day period following the date the Closing should have been consummated pursuant to Section 2.3, neither party shall be entitled to terminate this Agreement pursuant to Section 8.1(d).

Section 8.2. Effect of Termination

(a) If this Agreement is terminated and the Transaction is abandoned pursuant to Section 8.1, this Agreement shall become null and void and of no further force and effect, except, subject in all respects to this Section 8.2, Section 10.6, and Section 10.14 (including, in each case, the limitations set forth therein), for the provisions of Section 5.3, Section 5.5, Section 5.19 relating to Purchaser's reimbursement and indemnification obligations, this Article VIII and Article X, and there will be no Liability on the part of Seller, the Company or Purchaser to any other party. Subject in all respects to this Section 8.2 and Section 10.14 (including in each case, the limitations set forth therein), nothing in this Section 8.2 shall be deemed to release any party from any Liability for Fraud or Willful Breach, in each case, prior to such valid termination by such party of the terms and provisions of this Agreement.

(b) If this Agreement is terminated (i) by Seller pursuant to Section 8.1(b) or (f), (ii) by Purchaser pursuant to Section 8.1(d) when Seller was capable of terminating pursuant to Section 8.1(b) or

(f), or (iii) by Purchaser pursuant to Section 8.1(c) when Seller was capable of terminating pursuant to Section 8.1(b) or (f), then Purchaser shall, in consideration of Seller and the Company irrevocably and unconditionally agreeing not to (and causing their respective Related Parties not to) exercise, and agreeing to waive, any and all claims and rights Seller, the Company, and their respective Related Parties may have against Purchaser, its Affiliates, and their respective Related Parties arising out of, in connection with, or related to, this Agreement and the Transactions, pay \$0 (the "Termination Fee") to Seller (or any designee of Seller) as promptly as practicable (and, in any event, within two (2) Business Days following such termination), payable by wire transfer of same day funds.

(c) Purchaser acknowledges that in the event that Purchaser shall fail to pay the Termination Fee when due, Purchaser shall reimburse Seller and its Affiliates for all reasonable costs and expenses actually incurred or accrued by Seller and/or its Affiliates (including reasonable and documented fees and expenses of external counsel) in connection with any action (including the filing of any lawsuit) taken to collect payment of such amount, together with interest on such unpaid amounts at eight percent (8%) per annum, calculated on a daily basis from the date such amounts were required to be paid to the date of actual payment. The parties acknowledge and agree that nothing in this Section 8.2 shall be deemed to affect their respective rights to specific performance under Section 10.6, including Seller's right to specifically enforce Purchaser's rights under the terms and conditions of the Equity Commitment Letter in accordance with the terms and conditions of the Equity Commitment Letter and the terms and conditions (including limitations) of Section 10.6 in order to specifically enforce this Agreement to the extent such rights are available as provided for herein.

(d) Notwithstanding anything to the contrary in the foregoing, the parties acknowledge and agree that (i) the agreements contained in this Section 8.2 are an integral part of the transactions contemplated by this Agreement and (ii) any payment of the Termination Fee is not a penalty but is liquidated damages in a reasonable amount that will compensate Seller in the circumstances in which such fees are payable for the efforts and resources expended and the opportunities foregone while negotiating this Agreement and in reliance on this Agreement and on the expectation of the consummation of the transactions contemplated by this Agreement, which amount would otherwise be impossible to calculate with precision.

(e) Notwithstanding anything to the contrary in this Agreement, but subject to Section 8.2 and Section 5.19, Seller agrees and acknowledges that, in the event that the Termination Fee is payable, then (i) Seller's receipt of the Termination Fee pursuant to this Section 8.2 and any other amounts payable pursuant to Section 8.2(c) and Seller's right to seek specific performance of this Agreement by Purchaser prior to termination of this Agreement, as provided for and subject to the limitations set forth in Section 10.6, shall be Seller's sole and exclusive remedy against Purchaser, the Debt Financing Sources, and their respective Related Parties, whether at law or equity, in contract, in tort or otherwise, for any loss arising out of this Agreement, the Guaranty or the other transactions contemplated hereby and (ii) upon receipt of the Termination Fee by Seller and any other amounts payable pursuant to Section 8.2(c), none of Purchaser, the Debt Financing Sources or their respective Related Parties shall have any further Liability whatsoever relating to or arising out of this Agreement or any other Transaction Document or any of the transactions contemplated hereby or thereby. For the avoidance of doubt, under no circumstances shall Seller be (x) entitled to collect the Termination Fee on more than one occasion (or, after the receipt thereof, any portion thereof or any further funds or amounts) or (y) permitted or entitled to receive both a grant of specific performance as contemplated by Section 10.6 and payment of the Termination Fee. Seller further agrees that the maximum aggregate liability of Purchaser and all of Purchaser's Related Parties, taken as a whole, shall be limited to an amount equal to the amount of the Termination Fee, and in no event shall Seller be entitled to recover any money damages or other losses or damages of any kind, character or description in excess of such amount, except as expressly permitted by Section 8.2(c) (and only to such limited extent), provided that nothing in this Section 8.2 shall limit Purchaser's reimbursement and indemnification

obligations under Section 5.19. In no event shall Seller seek to recover, or be entitled to recover, monetary damages from any Related Party of Purchaser, other than Purchaser under this Agreement or the Guarantor under the Guaranty.

Section 8.3. Notice of Termination

. In the event of termination by Seller or Purchaser pursuant to Section 8.1, written notice of such termination shall be given by the terminating party to the other party to this Agreement in order to effect such termination.

ARTICLE IX
INDEMNIFICATION AND PARENT GUARANTY

Section 9.1. Survival

. None of the representations and warranties, covenants and agreements in this Agreement shall survive the Closing, except for (i) the Seller's Fundamental Representations, which shall survive the Closing until the second (2nd) anniversary of the Closing Date; (ii) liability for breach of those covenants and agreements contained in Section 5.2, Section 5.6, Section 5.7(a), Section 5.9(a), Section 5.13 and Section 5.17 to the extent that its terms applies or is to be performed prior to the Closing (the "Seller Pre-Closing Covenants"), which shall survive the Closing until the first (1st) anniversary of the Closing Date; (iii) those covenants and agreements contained herein that by their terms apply or are to be performed in whole or in part after the Closing, and (iv) this Article IX and Article X (and any corresponding definitions set forth in Article I). This Section 9.1 shall not limit any covenant or agreement of the parties hereto contained in this Agreement that by its terms contemplates performance after the Closing, and shall not extend the applicability of any covenant or agreement of the parties hereto contained in this Agreement that by its terms relates only to a period between the date of this Agreement and the Closing. Seller's obligations to pay Pre-Closing Taxes under Section 9.2(a) shall survive the Closing for a period of five (5) years from the Closing Date (the "Tax Survival Date"). Provided, however, nothing in this Section shall limit Purchaser's rights to indemnification with respect to sub-sections (i) to (iv) (inclusive) and pursuant to Section 9.2(a)(B) with respect to (i) any claim under such sub-section herein or Section 9.2(a)(B) made prior to the applicable survival date or (ii) any Proceeding commenced by the applicable authority prior to the applicable survival date. Further, nothing in this Section 9.1 shall affect the survival of any liability for Fraud.

Section 9.2. Indemnification by Seller

(a) Subject to the provisions of this Article IX, effective as of and after the Closing, Seller shall indemnify, defend and hold harmless Purchaser and its Affiliates, and their respective officers, directors, employees, agents, successors and assigns (collectively, the "Purchaser Indemnified Parties"), from and against any and all (A) Covered Losses incurred or suffered by any of the Purchaser Indemnified Parties, to the extent arising out of or resulting from (i) the failure of any of the Seller's Fundamental Representations to be true and correct as of the date hereof and as of the Closing Date as if made on such date, (ii) any breach of any covenant or agreement of Seller contained in the Seller Pre-Closing Covenants, (iii) any breach of any covenant or agreement of Seller contained in this Agreement to be performed by Seller following the Closing, (iv) any Liabilities of Seller or any of its Affiliates to the extent not relating to, arising out of or resulting from, the Company Group or their respective assets or the Business, or (v) any third-party claims resulting from the Malware Incident and (B) Pre-Closing Taxes.

(b) Notwithstanding any other provision to the contrary, (x) Seller shall not be required to indemnify, defend or hold harmless any Purchaser Indemnified Party against, or reimburse any Purchaser Indemnified Party for, (i) any Covered Losses pursuant to Section 9.2(a)(ii) or any Pre-Closing Taxes to the extent that such Covered Losses or such Pre-Closing Taxes, as applicable, are reflected, recorded or included in Funded Debt or Working Capital on the Post-Closing Statement, or which were previously paid pursuant to Section 6.1, or to the extent a Cash Sweep Withholding Amount was left with the applicable

Group Company with respect to such Pre-Closing Taxes, (i) any lost or reduced future revenues or profits or other Covered Losses, in each case arising out of or resulting from any loss or threatened loss of, or disruption or threatened disruption in, business opportunities of the Company or the Company Subsidiaries, or the relationship of the Company or the Company Subsidiaries with their respective current or prospective customers or business relationships, as a direct or indirect result of the Malware Incident, or (iii) any breach of any covenant or agreement of Seller contained in the Seller Pre-Closing Covenants to which Purchaser has Knowledge of at or at any time prior to the Closing, (y) in no event shall the aggregate amount of Covered Losses for which Seller shall be liable pursuant to Section 9.2(a)(A)(v) exceed \$10,000,000 and (z) in no event shall the aggregate amount of Covered Losses for which Seller shall be liable pursuant to clause (i) or (ii) of Section 9.2(a)(A) exceed \$25,000,000.

Section 9.3. Indemnification by Purchaser

. Subject to the provisions of this Article IX, effective at and after the Closing, Purchaser shall indemnify, defend and hold harmless Seller and its Affiliates, and their respective officers, directors, employees, agents, successors and assigns (collectively, the “Seller Indemnified Parties”), from and against any and all Covered Losses incurred or suffered by any of the Seller Indemnified Parties to the extent arising out of or resulting from (i) any breach of any covenant or agreement of Purchaser contained in this Agreement to be performed by Purchaser following the Closing or (ii) any Liabilities to the extent arising out of or relating to the ownership or operation of the Business or the Company Group following the Closing by Purchaser or its Affiliates, in all cases other than (i) with respect to any Liabilities arising out of, or related to, the Malware Incident; and (ii) any Liabilities which are the responsibility of the Seller or its Affiliates under this Agreement.

Section 9.4. Procedures

(a) A Person that may be entitled to be indemnified under this Agreement (the “Indemnified Party”) shall promptly notify the party or parties liable for such indemnification (the “Indemnifying Party”) in writing of any pending or threatened claim or demand that the Indemnified Party has determined has given or would reasonably be expected to give rise to such right of indemnification (including a pending or threatened claim or demand asserted by a third party against the Indemnified Party, such claim being a “Third Party Claim”), describing in reasonable detail (taking into account the information then available to the Indemnified Party) the facts and circumstances with respect to the subject matter of such claim or demand; provided, that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under Section 5.10(a), Section 5.12(c) and this Article IX except to the extent that the Indemnifying Party is materially prejudiced by such failure (as determined by a court of competent jurisdiction), it being agreed that notices for claims in respect of a breach of a covenant or agreement must be delivered prior to the expiration of any applicable survival period specified in Section 9.1 for such covenant or agreement.

(b) Except as provided in Article VI, upon receipt of a notice of a Third Party Claim for indemnity from an Indemnified Party pursuant to Section 5.10(a), Section 5.12(c), Section 9.2(a) or Section 9.3, the Indemnifying Party will be entitled, by notice to the Indemnified Party delivered within twenty (20) Business Days of the receipt of notice of such Third Party Claim, to assume the defense and control of such Third Party Claim (at the expense of such Indemnifying Party); provided, that the Indemnifying Party shall not be entitled to assume the defense and control of such Third Party Claim, if (i) the Third Party Claim relates to or arises in connection with any criminal Action or (ii) the Third Party Claim seeks an injunction or equitable relief against the Indemnified Party or any of its Affiliates; provided, further, that if the Indemnifying Party assumes the defense and control of such Third Party Claim, the Indemnifying Party shall allow the Indemnified Party a reasonable opportunity to participate in the defense of such Third Party Claim with its own counsel and at its own expense except that the Indemnifying Party shall pay the reasonable and documented fees and expenses of such external separate counsel if representation of both the Indemnifying Party and the Indemnified Party by the same counsel would create

a conflict of interest. If the Indemnifying Party does not assume the defense and control of any Third Party Claim pursuant to this Section 9.4(b), the Indemnified Party shall be entitled to assume and control such defense and the Indemnifying Party shall pay the reasonable and documented fees and expenses of external counsel retained by the Indemnified Party, but the Indemnifying Party may nonetheless participate in the defense of such Third Party Claim with its own counsel and at its own expense. Purchaser or Seller, as the case may be, shall, and shall cause each of its Affiliates and Representatives to, reasonably cooperate with the Indemnifying Party in the defense of any Third Party Claim, including by furnishing Books and Records, personnel and witnesses, as appropriate for any defense of such Third Party Claim. If the Indemnifying Party has assumed the defense and control of a Third Party Claim, it shall be authorized to consent to a settlement or compromise of, or the entry of any judgment arising from, any Third Party Claim, in its sole discretion and without the consent of any Indemnified Party; provided, that such settlement or judgment does not involve any injunctive or other equitable relief or finding or admission of any violation of Law or admission of any wrongdoing by any Indemnified Party or any of its Affiliates and expressly unconditionally releases the Indemnified Party and its Affiliates from all Liabilities with respect to such Third Party Claim. No Indemnified Party will consent to the entry of any judgment or enter into any settlement or compromise with respect to a Third Party Claim without the prior written consent of the Indemnifying Party.

Section 9.5. Exclusive Remedy and Release

. Purchaser and Seller acknowledge and agree that, except as set forth in any other Transaction Document, following the Closing, (x) the indemnification provisions of Section 5.10(a), Section 5.12(c) and Section 9.2 shall be the sole and exclusive remedies of Seller and (y) and the indemnification provisions of Section 9.2 shall be the sole and exclusive remedies of Purchaser with respect to matters specifically set forth therein, in each case of the foregoing clause (x) and (y), for any Covered Losses and any other losses and Liabilities (including any Covered Losses and any other losses and Liabilities from claims for breach of contract, warranty, tortious conduct (including negligence) or otherwise and whether predicated on common law, statute, strict liability, or otherwise) that such party hereto may at any time suffer or incur, or become subject to, as a result of or in connection with this Agreement, the Transaction or the other transaction contemplated by this Agreement, including any breach of any representation or warranty in this Agreement by any party hereto, or any failure by any party hereto to perform or comply with any covenant or agreement that, by its terms, was to have been performed, or complied with, under this Agreement or the other Transaction Documents; provided that nothing set forth in this Section 9.5 shall apply to (A) Fraud or (B) any remedies of Seller or any of its Affiliates for any losses and Liabilities (including any losses and Liabilities from claims for breach of contract, warranty, tortious conduct (including negligence) or otherwise and whether predicated on common law, statute, strict liability, or otherwise) that Seller or any of its Affiliates may at any time suffer or incur, or become subject to, as a result of or in connection with the Promissory Note or the transaction contemplated thereby, including any breach of any representation or warranty in the Promissory Note by Purchaser or any of its Affiliates, or any failure by Purchaser or any of its Affiliates to perform or comply with any covenant or agreement that, by its terms, was to have been performed, or complied with, under the Promissory Note. Without limiting the generality of the foregoing and in furtherance thereof, the parties hereto hereby irrevocably waive (i) any right of rescission of this Agreement, and (ii) other than as provided in the foregoing, any claims for breach of contract, warranty, tortious conduct (including negligence) or otherwise as a result of or in connection with this Agreement, the Transaction or the other transactions contemplated by this Agreement, following the Closing, whether predicated on common law, statute, strict liability, or otherwise, that in either case (i) or (ii) they may otherwise have or to which they may become entitled; provided that nothing set forth in this sentence shall apply to Fraud or to any rights or claims relating to the Promissory Note.

Section 9.6. Additional Indemnification Provisions

. With respect to each indemnification obligation contained in this Agreement, all Covered Losses shall be net of any third-party insurance or indemnity, contribution or similar proceeds that have been recovered or are recoverable (unless the

Indemnified Party has exhausted commercially reasonable efforts to receive the proceeds without the proceeds being recovered) by the Indemnified Party in connection with the facts giving rise to the right of indemnification (it being agreed that if third-party insurance or indemnification, contribution or similar proceeds in respect of such facts are recovered by the Indemnified Party subsequent to the Indemnifying Party's making of an indemnification payment in satisfaction of its applicable indemnification obligation, such proceeds shall be promptly remitted to the Indemnifying Party to the extent of the indemnification payment made), and the Indemnified Party shall use, and cause its Affiliates to use, commercially reasonable efforts to seek full recovery under all insurance and indemnity, contribution or similar provisions covering such Covered Loss to the same extent as it would if such Covered Loss were not subject to indemnification hereunder; provided that all deductibles, co-pay amounts and costs or expenses reasonably incurred in connection with such recovery, including all premiums and other costs of such insurance policies (and any increase in premium payable by such indemnified party, or any retroactive adjustment under any such policy) shall constitute Covered Losses and nothing set forth herein shall require that any party or Affiliate thereof take any legal action against any insurer or third party provider for indemnification or contribution or similar payment. Upon making any payment to the Indemnified Party for any indemnification claim pursuant to this Article IX, the Indemnifying Party shall be subrogated, to the extent of such payment, to any rights which the Indemnified Party may have against any third party insurers and any third parties that do not have any material ongoing relationship with Purchaser, its Affiliates or the Business with respect to the subject matter underlying such indemnification claim, and the Indemnified Party shall assign any such rights to the Indemnifying Party upon the written request of the Indemnifying Party.

Section 9.7. Limitation on Liability

. Notwithstanding anything to the contrary contained in this Agreement (including this Article IX), neither party hereto shall be liable to the other party hereto or its Affiliates, whether in contract, tort (including negligence and strict liability) or otherwise, at law or in equity, and "Covered Losses" shall not include any amounts, for (a) any consequential, special, incidental, indirect, punitive or similar damages (including lost profits, diminution of value, or damages calculated on multiple of earnings or other metrics approaches), in each case except to the extent reasonably foreseeable or payable to a third party or (b) any punitive damages except to the extent payable to a third party.

Section 9.8. Indemnification After-Tax

. Payments by an Indemnifying Party pursuant to this Article IX in respect of any Covered Loss will be reduced by an amount equal to (i) any Tax benefit for U.S. federal, state, local or non-U.S. income Tax purposes to the extent actually resulting in a reduction in a cash Tax liability (within the taxable year in which the Covered Loss was incurred or the immediately following two taxable years) as a result of such Covered Loss by the Indemnified Party, less (ii) any Tax detriment (including any reduction in depreciation or amortization) actually realized as a result of such Covered Loss by the Indemnified Party (including as a result of the receipt of a payment by an Indemnifying Party).

Section 9.9. Mitigation

. Each of the parties hereto agrees to use its commercially reasonable efforts to mitigate its respective Covered Losses upon and after becoming aware of any event or condition that would reasonably be expected to give rise to any Covered Losses that are indemnifiable hereunder.

Section 9.10. Interpretation

. To the extent of any inconsistency between Article IX and Article VI with respect to a Tax matter, the provisions in Article VI shall control.

Section 9.11. Parent Guaranty

. Parent hereby (x) agrees to take all actions reasonably necessary to ensure that Seller shall remain in existence and not be wound up or dissolved until the later of the following: (i) five (5) years from the Closing Date and (ii) the later of the date: (A) when Seller ceases to be subject to any material obligation under this Agreement and (B) the end of the Statement Period; and (y) guarantees the Seller's due, prompt and faithful performance and discharge (including with respect to

payment) of, and compliance with, whether before or after Closing, all of the obligations (including payment), covenants, terms, conditions and undertakings by Seller under this Agreement in accordance with the terms hereof. Purchaser hereby agrees that Parent shall have all defenses to its obligations hereunder that would be available to Seller under this Agreement other than those relating to financial distress, insolvency or illiquidity of Seller. Parent represents and warrants to Purchaser that Parent has the power and authority to execute this Agreement and undertake the obligations set forth in this Section 9.11. Should Parent cease to be the ultimate parent company of Seller, Parent shall remain liable pursuant to this Section 9.11.

ARTICLE X
GENERAL PROVISIONS

Section 10.1. Entire Agreement

. This Agreement and the other Transaction Documents, and the Schedules and Exhibits hereto and thereto and the Guaranty, along with the Seller Disclosure Schedules and Purchaser Disclosure Schedules, constitute the entire agreement and understanding among the parties hereto with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings relating to such subject matter. Neither party hereto shall be liable or bound to the other party in any manner by any representations, warranties or covenants relating to such subject matter except as specifically set forth herein and therein.

Section 10.2. Assignment

. Neither this Agreement nor any of the rights or obligations of the parties hereunder may be assigned in whole or in part (including by operation of law in connection with a merger or consolidation or conversion) by Purchaser, Seller or the Company without the prior written consent of Seller (in the case of Purchaser) or Purchaser (in the case of Seller or the Company Group), which may be withheld in the absolute discretion of the party with such consent right, and any attempt to make any such assignment without such consent shall be null and void; provided, however, that (i) Purchaser may assign, in its sole discretion, any or all of its rights, interests and obligations under this Agreement to any Affiliate of Purchaser without the consent of Seller (and any Affiliate of Purchaser may assign, in its sole discretion, any or all of its rights, interests and obligations under this Agreement to another Affiliate of Purchaser or to Purchaser without the consent of Seller), but must remain liable hereunder, (ii) each of Seller and the Company may assign, in its sole discretion, any or all of its rights, interests and obligations under this Agreement to any entity that acquires all or substantially all of Seller's assets related to this Agreement, whether by merger, stock purchase, asset purchase or otherwise without the consent of Purchaser (including any entity that acquires all or substantially all of the assets of Parent or any division or business segment of Parent), but, in each case Seller must remain liable hereunder and the applicable assignee must agree in writing to bound by the terms of this Agreement and the Transaction Documents applicable to Seller and any remaining obligations of Seller under this Agreement and the Transaction Documents will be fully assumed by such Person (including by operation of Law, if applicable), (iii) each of Seller and the Company may assign its rights and interests (but not its obligations) under this Agreement to any debt financing sources (or the agents for such debt financing sources) as collateral security without the consent of Purchaser but, in each case, must remain liable hereunder and (iv) Purchaser and its Affiliates may assign their rights and interests (but not their obligations) under this Agreement to any of the Debt Financing Sources (or the agents for the Debt Financing Sources) as collateral security without the consent of Seller, but, in each case, must remain liable hereunder. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs, executors, administrators and permitted assigns.

Section 10.3. Amendments and Waivers

. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto. By an instrument in writing, Purchaser, on the one hand, or Seller or the Company, on the other hand, may waive compliance by the other with any term or provision of this Agreement that the other party was or is obligated to comply with or perform.

Such waiver or failure to insist on strict compliance with such term or provision shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure of compliance.

Section 10.4. No Third-Party Beneficiaries

. This Agreement, together with the other Transaction Documents and the Exhibits and Schedules hereto and thereto are not intended to confer in or on behalf of any Person not a party to this Agreement (and their successors and assigns) any rights, benefits, causes of action or remedies with respect to the subject matter or any provision hereof; provided that (i) the Related Parties of Seller, the Company or Purchaser, as applicable, are intended third-party beneficiaries of, and may enforce, Section 10.14, and (ii) if the Closing occurs, the Indemnified Parties are intended third-party beneficiaries of, and may enforce, the provisions of Article IX to the extent applicable to such Indemnified Parties.

Section 10.5. Notices

. All notices and other communications to be given to any party hereunder shall be sufficiently given for all purposes hereunder if in writing and delivered by hand, courier or overnight delivery service, or five (5) days after being mailed by certified or registered mail, return receipt requested, with appropriate postage prepaid, or when received in the form of an email transmission (receipt confirmation requested), and shall be directed to the address set forth below (or at such other address or email address as such party shall designate by like notice):

(i) if to Purchaser,

Project Heritage Acquisition, LLC
c/o Variant Equity Advisors, LLC
1880 Century Park East, Suite 825
Los Angeles, CA 90067
Attention: Managing Partner
Email: fwadia@variantequity.com

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

Dechert LLP
1095 Avenue of the Americas
New York, NY 10036
Attention: Christian Matarese
Adam Levin
Emails: Christian.Matarese@dechert.com
Adam.Levin@dechert.com

(ii) if to Seller or the Company,

c/o The ODP Corporation
6600 North Military Trail,
Boca Raton, FL 33496
Attention: General Counsel
Email: legalgcsupport@officedepot.com

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

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017
Attention: Alan M. Klein
Jakob Rendtorff
Email: aklein@stblaw.com
jrendtorff@stblaw.com

(a) Subject to Section 8.2, the parties hereto agree that irreparable damage, for which monetary damages (even if available) would not be an adequate remedy, would occur in the event that the parties hereto do not perform any provision of this Agreement in accordance with its specified terms or otherwise breach such provisions, and accordingly, the parties hereto acknowledge and agree that the parties hereto shall be entitled to an injunction, specific performance and other equitable relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof, in addition to any other remedy to which they are entitled in Law or in equity. The parties hereto acknowledge and agree that prior to the Closing, each party hereto shall be entitled to an injunction or injunctions to prevent breaches of this Agreement by the other parties hereto or to enforce specifically the terms and provisions of this Agreement and the Equity Commitment Letters (subject to the limitations expressly set forth therein) to prevent breaches of, enforce compliance with, this Agreement, or, in the case of Seller or the Company, to cure breaches of those covenants of Purchaser that require Purchaser to use its reasonable best efforts to obtain the Financing (including, to the extent required, Alternative Financing), to enforce its rights under the Equity Commitment Letter (subject to the limitations expressly set forth therein), including complying with and performing its covenants and agreements herein, including the covenants set forth in Section 5.1 and Section 5.18. If any party hereto brings any claim to enforce specifically the performance of the terms and provisions of this Agreement, in accordance with the terms of this Agreement, then, notwithstanding anything to the contrary contained herein, the Outside Date shall automatically be extended by the period of time between the commencement of such claim and the date on which such claim is fully and finally resolved.

(b) Notwithstanding Section 10.6(a), Section 10.6(b), or any other provision of this Agreement to the contrary, the Company and the Seller shall be entitled to specific performance of Purchaser's obligations to cause the Equity Financing to be funded (or to cause directly such Equity Financing to be funded under the Equity Commitment Letter on the terms set forth therein) and to cause the Closing to occur in accordance with Section 2.3 only in the event that: (i) all of the conditions set forth in Section 7.1 have been satisfied or waived in writing, (ii) all of the conditions set forth in Section 7.2 have been satisfied or waived in writing (other than those conditions which by their nature are to be satisfied at the Closing, but which are capable of satisfaction at the Closing); (iii) the Debt Financing and, if applicable, any Alternative Financing have been funded or the Debt Financing Sources and, if applicable, the alternative financing sources have confirmed in an irrevocable writing that the Debt Financing and, if applicable, any Alternative Financing will be funded if the Equity Financing is funded at the Closing (provided that Purchaser shall not be required to draw down the Equity Financing or to consummate the Closing if the Debt Financing and, if applicable, the Alternative Financing are not in fact funded at the Closing); (iv) the Closing will occur substantially simultaneously with the drawdown of the Debt Financing or, if applicable, the Alternative Financing; (v) each of the Company and the Seller has irrevocably confirmed in writing that it stands ready, willing and able to consummate the Transaction and if specific performance is granted and such Equity Financing and Debt Financing (and, if applicable, any Alternative Financing) are funded, then Seller and the Company will take all actions within their control to cause the Closing to occur, and (vi) Purchaser fails to complete the Closing within three (3) Business Days after the delivery of such irrevocable written confirmation described in the foregoing clause (v) (which written confirmation shall not have been revoked, modified or withdrawn during such three (3) Business Day period); provided that nothing in this Section 10.6 shall prevent Seller or the Company from seeking and obtaining specific performance against (A) the Guarantor under the Guaranty to the extent expressly permitted under, and in accordance with, the

terms and conditions set forth therein and herein or (B) Purchaser to cause Purchaser to use its reasonable best efforts to obtain the Financing (including, to the extent required, Alternative Financing), including by enforcing its rights under the Commitment Letters against any Debt Financing Source. Notwithstanding anything to the contrary contained herein: (x) except with respect to the applicable obligations of Purchaser to cause the Equity Financing to be funded, in which case, the parties agree that Seller's sole remedy in connection with Purchaser's failure to cause the Equity Financing to be funded or to consummate the transactions contemplated hereby shall be, subject to the terms of Section 8.2(b), the right to terminate this Agreement pursuant to Section 8.1(f) and receive the Termination Fee and any applicable reimbursements pursuant to Section 8.2(c) and Section 5.19(c) (or the guarantees thereof pursuant to the Guaranty), this Section 10.6 shall not limit or otherwise affect the rights of the Company or the Seller to obtain specific performance or other equitable relief with respect to any other obligation of Purchaser hereunder; and (y) under no circumstances shall the Company or the Seller be permitted or entitled to receive both a grant of specific performance pursuant to this Section 10.6(b) and payment of the Termination Fee.

(c) The parties further agree that, subject in all cases to Section 10.6(b), (x) by seeking the remedies provided for in this Section 10.6, a party shall not in any respect waive its right to seek any other form of available relief that may be available to a party under, and in accordance with, this Agreement in the event that the remedies provided for in this Section 10.6 are not available or otherwise are not granted, and (y) nothing set forth in this Section 10.6 shall require any party hereto to institute any Proceeding for (or limit any party's right to institute any Proceeding for) specific performance under this Section 10.6 prior to or as a condition to exercising any termination right under Article VIII (and/or receipt of any amounts due pursuant to Section 8.2), nor shall the commencement of any legal action or legal proceeding pursuant to this Section 10.6 or anything set forth in this Section 10.6 restrict or limit any party's right to terminate this Agreement in accordance with the terms of Article VIII, or pursue any other remedies under this Agreement or the Equity Commitment Letter that may be available then or thereafter in each case on the terms and conditions set forth herein and therein; provided, however, for the avoidance of doubt, notwithstanding anything contained in this Section 10.6(c), (i) nothing set forth in this Section 10.6(c) expands any rights or limits any obligations otherwise set forth in, or otherwise modifies, any other Section of this Agreement or any other Transaction Document and (ii) under no circumstances shall Seller be permitted or entitled to receive both a grant of specific performance pursuant to Section 10.6(b) and payment of the Termination Fee. Subject to compliance with Section 8.2, Section 10.6(b), and the remainder of this Section 10.6, each of the parties hereto agrees that it will not oppose the granting of an injunction, specific performance and other equitable relief in accordance with this Section 10.6 on the basis that any other party has an adequate remedy at Law or that any award of specific performance is not an appropriate remedy for any reason at Law or in equity. Any party hereto seeking an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement shall not be required to provide any bond or other security in connection with such order or injunction.

(d) If Seller brings an Action for specific performance pursuant to, and in accordance with, this Section 10.6, and a court of competent jurisdiction determines that Purchaser breached this Agreement in connection with its failure to effect the Closing in accordance with this Agreement, but such court declines to enforce specifically the obligations of Purchaser to effect the Closing in accordance with this Agreement, then, in addition to the right of Seller to terminate this Agreement pursuant to Article VIII, Seller shall be entitled to pursue payment of the Termination Fee as provided for in Article VIII (and any applicable reimbursements pursuant to Section 8.2(c) and Section 5.19(c) (or the guarantees thereof pursuant to the Guaranty)). For the avoidance of doubt, while Seller may, subject in all respects to this Section 10.6, Section 8.2, and Section 10.14 (including, in each case, the limitations set forth therein), pursue both a grant of specific performance to the extent permitted by this Section 10.6, on the one hand, and the payment of (x) the Termination Fee, if, as, and when due under Section 8.2 (and any applicable reimbursements pursuant to Section 8.2(c) and Section 5.19(c) (or the guarantees thereof pursuant to the Guaranty)), or (y) damages for Fraud or Willful Breach prior to the valid termination of this Agreement, on the other hand, for the avoidance of doubt and notwithstanding anything to the contrary herein or in any other Transaction Document or otherwise, under no circumstances shall the Company or Seller be permitted or entitled to receive (i) both a grant of specific performance to cause the Equity Financing to be funded (or to cause directly such Equity Financing to be funded under the Equity Commitment Letter on the terms set forth therein) and/or to require Purchaser to consummate the Closing, on the one hand, and payment of any monetary damages whatsoever or payment of the Termination Fee, if, as, and when due under Section 8.2(b) (and any applicable reimbursements pursuant to Section 8.2(c) and Section 5.19(c) (or the guarantees thereof pursuant to the

Guaranty)), on the other hand, or (ii) both payment of any monetary damages whatsoever on the one hand, and payment of the Termination Fee, if, as, and when due or Section 8.2(b) (and any applicable reimbursements pursuant to Section 8.2(c)) (or the guarantees thereof pursuant to the Guaranty)), on the other hand.

Section 10.7. Governing Law and Jurisdiction

. Subject to Section 10.13, this Agreement and its enforcement, and any controversy arising out of or relating to the making or performance of this Agreement, shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to Delaware's principles of conflicts of law. In addition, each of the parties hereto (a) submits to the exclusive personal jurisdiction of the Delaware Court of Chancery, in the event that any dispute (whether in contract, tort or otherwise) arises out of this Agreement or the Transaction or the other transactions contemplated hereby; (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court; (c) agrees that it will not bring any Proceeding relating to this Agreement or the Transaction or the other transactions contemplated hereby in any court other than the Delaware Court of Chancery; and (d) agrees that it will not seek to assert by way of motion, as a defense or otherwise, that (x) any such Proceeding (i) is brought in an inconvenient forum, (ii) should be transferred or removed to any court other than the above-named court, or (iii) should be stayed by reason of the pendency of some other proceeding in any court other than the above-named court, or (y) this Agreement or the subject matter hereof may not be enforced in or by the above-named courts. Each party hereto agrees that service of process upon such party in any such Proceeding shall be effective if notice is given in accordance with Section 10.5.

Section 10.8. Waiver of Jury Trial

. SUBJECT TO SECTION 10.13, EACH PARTY TO THIS AGREEMENT WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY ANY OF THEM AGAINST THE OTHER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT, OR ANY OTHER AGREEMENTS EXECUTED IN CONNECTION HEREWITH (INCLUDING IN CONNECTION WITH THE DEBT FINANCING) OR THE ADMINISTRATION THEREOF OR THE TRANSACTION OR ANY OF THE OTHER TRANSACTIONS CONTEMPLATED HEREIN OR THEREIN. NO PARTY TO THIS AGREEMENT SHALL SEEK A JURY TRIAL IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM OR ANY OTHER LITIGATION PROCEDURE BASED UPON, OR ARISING OUT OF, THIS AGREEMENT OR ANY RELATED INSTRUMENTS (INCLUDING IN CONNECTION WITH THE DEBT FINANCING). NO PARTY HERETO WILL SEEK TO CONSOLIDATE ANY SUCH ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. EACH PARTY TO THIS AGREEMENT CERTIFIES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT OR INSTRUMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS SET FORTH ABOVE IN THIS SECTION 10.8. NO PARTY HERETO HAS IN ANY WAY AGREED WITH OR REPRESENTED TO ANY OTHER PARTY THAT THE PROVISIONS OF THIS SECTION 10.8 WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

Section 10.9. Severability

. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the

remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party hereto. Upon such a determination, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in a mutually acceptable manner in order that the Transaction and the other transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 10.10. Counterparts

. This Agreement may be executed in two (2) or more counterparts, all of which shall be considered an original, with the same effect as if the signatures thereto and hereto were upon the same instrument, and shall become effective when one (1) or more such counterparts have been signed by each party hereto and delivered (by e-mail or otherwise) to the other party. Signatures to this Agreement transmitted by electronic mail in “portable document format” (“pdf”) form or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signatures. This Agreement has been executed in the English language. If this Agreement is translated into another language, the English language text shall in any event prevail.

Section 10.11. Expenses

. Except as otherwise expressly provided herein, whether or not the Closing takes place, and except as set forth otherwise in this Agreement, all costs and expenses incurred in connection with this Agreement, the Transaction and the other transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

Section 10.12. Interpretation; Absence of Presumption

. It is understood and agreed that the specification of any Dollar amount in the representations and warranties or covenants contained in this Agreement or the inclusion of any specific item in the Seller Disclosure Schedules or Purchaser Disclosure Schedules is not intended to imply that such amounts or higher or lower amounts, or the items so included or other items, are or are not material, and no party hereto shall use the fact of the setting of such amounts or the fact of the inclusion of any such item in the Seller Disclosure Schedules or Purchaser Disclosure Schedules in any dispute or controversy between the parties hereto as to whether any obligation, item or matter not described in this Agreement or included in the Seller Disclosure Schedules or Purchaser Disclosure Schedules is or is not material for purposes of this Agreement. Nothing herein (including the Seller Disclosure Schedules and the Purchaser Disclosure Schedules) shall be deemed an admission by either party hereto or any of its Affiliates, in any Proceeding or Action, that such party or any such Affiliate, or any third party, is or is not in breach or violation of, or in default in, the performance or observance of any term or provisions of any Contract. Notwithstanding any materiality or “Material Adverse Effect” qualifications in any of the representations and warranties of Seller or Purchaser in this Agreement, for administrative ease, certain items, information or other matters may be included in the Seller Disclosure Schedules or the Purchaser Disclosure Schedules that are not necessarily limited to items, information or matters required to be disclosed by this Agreement to be reflected in the Seller Disclosure Schedules or Purchaser Disclosure Schedules, as applicable, considered by Seller to be material to the Business (including the Company Group) or the financial condition or results of operations of the Business (including the Company Group) or considered by Seller or Purchaser to reasonably be expected to have a Company Material Adverse Effect or a Purchaser Material Adverse Effect, as applicable. Such additional matters are set forth for informational purposes and do not necessarily include other matters of a similar nature. Nothing contained in the Seller Disclosure Schedules or the Purchaser Disclosure Schedules is intended to broaden the scope of any representation or warranty contained in this Agreement. The fact that any item, information or other matter has been included, referred to or disclosed in the Seller Disclosure Schedules or the Purchaser Disclosure Schedules (i) shall not be construed to establish, in whole or in part, any standard of the extent disclosure is required (including any standard of materiality), for purposes of such schedules; (ii) does not represent a determination by Seller or Purchaser, as applicable, that such item did not arise in the

ordinary course of business; and (iii) shall not constitute an admission or indication by Seller or Purchaser, as applicable, that such disclosure is required to be made pursuant to any of the representations and warranties contained in this Agreement. For the purposes of this Agreement, (a) words in the singular shall be held to include the plural and vice versa, and words of one gender shall be held to include the other gender as the context requires; (b) references to the terms Article, Section, paragraph, Exhibit and Schedule are references to the Articles, Sections, paragraphs, Exhibits and Schedules to this Agreement unless otherwise specified; (c) the terms “hereof,” “herein,” “hereby,” “hereto,” and derivative or similar words refer to this entire Agreement, including the Schedules and Exhibits hereto; (d) references to “Dollars” or “\$” shall mean U.S. dollars; (e) the word “including” and words of similar import when used in this Agreement and the Transaction Documents shall mean “including without limitation,” unless otherwise specified; (f) the word “or” shall mean “and/or”; (g) references to “written” or “in writing” include in electronic form; (h) the phrase “ordinary course of business” shall mean “ordinary course of business, consistent with past practice”; (i) the headings contained in this Agreement and the other Transaction Documents are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement and the other Transaction Documents; (j) Seller and Purchaser have each participated in the negotiation and drafting of this Agreement and the other Transaction Documents and if an ambiguity or question of interpretation should arise, this Agreement and the other Transaction Documents shall be construed as if drafted jointly by the parties hereto or thereto, as applicable, and no presumption or burden of proof shall arise favoring or burdening any party by virtue of the authorship of any of the provisions in this Agreement or the other Transaction Documents; (k) a reference to any Person includes such Person’s successors and permitted assigns; (l) any reference to “days” means calendar days unless Business Days are expressly specified; (m) when calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded and if the last day of such period is not a Business Day, the period shall end on the next succeeding Business Day; (n) when reference is made to information that has been “made available,” “provided” or “delivered” to Purchaser or its Representatives that shall mean that such information was continuously maintained in the “Project Heritage” electronic data room hosted by Intralinks for a period beginning at least 24 hours prior to the date hereof through the date hereof; and (o) the phrase “to the extent” shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply “if”.

Section 10.13. Debt Financing Sources

. Notwithstanding anything in this Agreement to the contrary, Seller on behalf of itself, its Subsidiaries hereby: (i) agrees that any Action, whether in law or in equity, whether in contract or in tort or otherwise, involving the Debt Financing Sources Related Party, arising out of or relating to, this Agreement, the Debt Financing or any of the agreements entered into in connection with the Debt Financing or any of the transactions contemplated hereby or thereby or the performance of any services thereunder shall be subject to the exclusive jurisdiction of any federal or state court in the Borough of Manhattan, New York, New York, so long as such forum is and remains available, and any appellate court thereof and each party hereto irrevocably submits itself and its property with respect to any such Action to the exclusive jurisdiction of such court, and such Action (except to the extent relating to the interpretation of any provisions in this Agreement (including any provision in any documentation related to the Debt Financing that expressly specifies that the interpretation of such provisions shall be governed by and construed in accordance with the law of the State of New York)) shall be governed by the laws of the State of New York (without giving effect to any conflicts of law principles that would result in the application of the laws of another jurisdiction), (ii) agrees not to bring or support any Action of any kind or description, whether in law or in equity, whether in contract or in tort or otherwise, against any Debt Financing Sources Related Party in any way arising out of or relating to, this Agreement, the Debt Financing or any of the transactions contemplated hereby or thereby or the performance of any services thereunder in any forum other than any federal or state court in the Borough of Manhattan, New York, New York, (iii) agrees that service of process upon Seller or its Subsidiaries in any such Action or proceeding shall be effective if notice is given in accordance with Section 10.5, (iv) irrevocably waives, to the fullest extent

that it may effectively do so, the defense of an inconvenient forum to the maintenance of such Action in any such court, (v) knowingly, intentionally and voluntarily waives to the fullest extent permitted by applicable Law trial by jury in any Action brought against the Debt Financing Sources in any way arising out of or relating to, this Agreement, the Debt Financing or any of the transactions contemplated hereby or thereby or the performance of any services thereunder, (vi) agrees that none of the Debt Financing Sources Related Parties will have any liability to Seller or any of its Subsidiaries (in each case, other than Purchaser and the Company Group and their respective Subsidiaries) relating to or arising out of this Agreement, the Debt Financing or any of the transactions contemplated hereby or thereby or the performance of any services thereunder, whether in law or in equity, whether in contract or in tort or otherwise, and neither Seller nor any of its Subsidiaries will have any rights or claims against any Debt Financing Sources Related Parties hereunder or thereunder (provided that, notwithstanding the foregoing, nothing herein shall affect the rights of the Purchaser against the Debt Financing Sources Related Parties with respect to the Debt Financing or any of the transactions contemplated thereby or any services thereunder following the Transaction), and (vii) agrees that the Debt Financing Sources Related Parties are express third party beneficiaries of, and may enforce, any of the provisions in this Agreement reflecting the foregoing agreements in this [Section 10.13](#), [Section 5.19](#), [Section 8.2\(e\)](#), [Section 10.2](#), [Section 10.3](#), [Section 10.7](#) or [Section 10.8](#), and such provisions and the definition of “Debt Financing Sources” and “Debt Financing Sources Related Parties” shall not be amended or waived in any way material and adverse to the Debt Financing Sources Related Parties without the prior written consent of the Debt Financing Sources.

Section 10.14. Non-Recourse

. Notwithstanding anything to the contrary in this Agreement, this Agreement may only be enforced against, and any Proceeding for breach of this Agreement may only be made against, the entities that are expressly identified herein as parties to this Agreement (other than with respect to claims of a Purchaser Indemnified Party) and none of the former, current and future Affiliates, directors, officers, managers, employees, advisors, Representatives, shareholders, members, managers, partners, successors and assigns of any party hereto or any Affiliate thereof or any former, current and future Affiliate, director, officer, manager, employee, advisor, Representative, shareholder, member, manager, partners, successor and assign of any of the foregoing (collectively, “Related Parties”) that is not a party hereto shall have any Liability for any Liabilities of the parties hereto for any Proceeding (whether in tort, contract or otherwise) for breach of this Agreement or in respect of any oral representations made or alleged to be made in connection herewith, none of the parties hereto shall have any rights of recovery in respect hereof against any Related Party that is not a party hereto and no personal Liability shall attach to any Related Party that is not a party hereto through any party hereto or otherwise, whether by or through attempted piercing of the corporate veil, by or through a Proceeding (whether in tort, contract or otherwise) by or on behalf of a party hereto against any Related Party that is not a party hereto, by the enforcement of any judgment, fine or penalty or by virtue of any statute, regulation or other applicable Law, or otherwise. Notwithstanding anything to the contrary in this [Section 10.14](#), nothing in this [Section 10.14](#) shall be deemed to limit any Liabilities of, or claims against, any party to any Transaction Document or serve as a waiver of any right on the part of any party to such Transaction Document (x) in the case of Fraud and (y) to initiate any Proceeding permitted pursuant to, and in accordance with the specific terms of such Transaction Document.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, Seller, Company, Parent and Purchaser have duly executed this Agreement as of the date first written above.

LINCOLN MERGER SUB TWO LLC

By: /s/ N. DAVID
BLEISCH
Name: N. David
Bleisch
Title: Authorized
Signatory

COMPUCOM SUPER HOLDINGS LLC

By: /s/ N. DAVID
BLEISCH
Name: N. David
Bleisch
Title: Authorized
Signatory

THE ODP CORPORATION, solely with respect to Section 9.11 of the Agreement

By: /s/ N. DAVID
BLEISCH
Name: N. David
Bleisch
Title: Executive
Vice President, Chief Legal & Administrative Officer and Corporate
Secretary

PROJECT HERITAGE ACQUISITION, LLC

By: /s/ FARHAAD CHANDUWADIA
Name: Farhaad Chanduwadia
Title: President

LIST OF THE ODP CORPORATION'S SIGNIFICANT SUBSIDIARIES

Domestic/US Subsidiaries:

<i>Name</i>	<i>Jurisdiction of Incorporation</i>
The Office Club, Inc.	California
Viking Office Products, Inc.	California
Computers4Sure.com, Inc.	Connecticut
Solutions4Sure.com, Inc.	Connecticut
OD International, Inc.	Delaware
Japan Office Supplies, LLC	Delaware
ODV France LLC	Delaware
OD France L.L.C.	Delaware
4Sure.com, Inc.	Delaware
Swinton Avenue Trading Limited, Inc.	Delaware
2300 South Congress LLC	Delaware
Neighborhood Retail Development Fund, LLC	Delaware
HC Land Company LLC	Delaware
Notus Aviation, Inc.	Delaware
OD Medical Solutions, LLC	Delaware
OD Brazil Holdings, LLC	Delaware
Office Depot N.A. Shared Services LLC	Delaware
Office Depot Foreign Holdings GP, LLC	Delaware
Office Depot Foreign Holdings LP, LLC	Delaware
eDepot, LLC	Delaware
Mapleby Holdings Merger Corporation	Delaware
Wahkiakum Gas Corporation	Delaware
Reliable Express Corporation	Delaware
Picabo Holdings, Inc.	Delaware
OMX Timber Finance Holdings II, LLC	Delaware
OMX Timber Finance Holdings I, LLC	Delaware
OfficeMax Incorporated	Delaware
Office Depot Pension Finance LLC	Delaware
OfficeMax Southern Company	Louisiana
OfficeMax Nevada Company	Nevada
OMX, Inc.	Nevada
OfficeMax North America, Inc.	Ohio
North American Card and Coupon Services, LLC	Virginia
Premium Inc.	Hawaii
6600 North Holdings, LLC	Delaware
6600 North Owner, LLC	Delaware
Office Depot Puerto Rico, LLC	Puerto Rico
Complete Office, LLC	Washington
Complete Office of Wisconsin, Inc.	Wisconsin
Complete Office of California, Inc.	California
Lincoln Merger Sub Two, LLC	Delaware
Sandia Office Supply, Inc.	New Mexico
Admiral Express, LLC	Oklahoma
Midway Office Supply, LLC	New Mexico
SOS Investments, LLC	New Mexico
Regency Office Products, LLC	North Carolina
Regency Franchise Group, LLC	North Carolina
POP Pinnacle Office Products, LLC	Texas
Chicago Regency, LLC	North Carolina
Regency Office Products of Missouri, LLC	Delaware
Garvey's Office Products, Inc.	Illinois
Perimeter Office Products, Inc.	Georgia
Bertelson Brothers, Inc.	Minnesota
ZerBee, LLC	Minnesota

Trio Supply Company
COS Business Products & Interiors, Inc.
Americas Office Source, Inc.
Discount Office Items, Inc.
Office Essentials Inc.
Veyer, LLC
Office Depot, LLC
ODP Investment, LLC
Veyer Logistics, LLC
ODP International, LLC
Varis Holdings, LLC
Varis, LLC
ODP Business Solutions Holdings, LLC
ODP Business Solutions, LLC

Minnesota
Tennessee
Florida
Wisconsin
Missouri
Delaware
Delaware
Delaware
Delaware
Delaware
Delaware
Delaware
Delaware
Delaware

Foreign Subsidiaries of the Company:

<u>Name</u>	<u>Jurisdiction of Incorporation</u>
Clearfield Insurance Limited	Bermuda
Office Depot Overseas Holding Limited	Bermuda
Grand & Toy Limited	Canada (Ontario)
AsiaEC.com Limited	Cayman Islands
Office Depot Merchandising (Shenzhen) Co. Ltd.	China
Office Depot Asia Holding Limited	Hong Kong
Office Depot Global Sourcing Ltd	Hong Kong
OM Luxembourg Holdings S.à r.l.	Luxembourg
Guilbert UK Pension Trustees Ltd	United Kingdom
Office Depot UK Pension Sponsor Limited	United Kingdom

* Ownership may consist of one subsidiary or any combination of subsidiaries, which may include The ODP Corporation

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-255421, 333-192185, 333-205084, 333-219380, and 333-231370 on Form S-8 of our reports dated February 23, 2022 relating to the financial statements of The ODP Corporation and subsidiaries (the “Company”) and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the fiscal year ended December 25, 2021.

/s/ DELOITTE & TOUCHE LLP

Certified Public Accountants
Boca Raton, Florida
February 23, 2022

Rule 13a-14(a)/15d-14(a) Certification

I, Gerry P. Smith, certify that:

1. I have reviewed this annual report on Form 10-K of The ODP Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ GERRY P. SMITH

Name: Gerry P. Smith

Title: Chief Executive Officer (Principal Executive Officer)

Date: February 23, 2022

Rule 13a-14(a)/15d-14(a) Certification

I, D. Anthony Scaglione, certify that:

1. I have reviewed this annual report on Form 10-K of The ODP Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ D. ANTHONY SCAGLIONE

Name: D. Anthony Scaglione
Title: Chief Financial Officer (Principal Financial Officer)
Date: February 23, 2022

The ODP Corporation**Certification of Principal Executive Officer and Principal Financial Officer Pursuant to
18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K (the "Report") of The ODP Corporation (the "Company") for the fiscal year ended December 25, 2021 as filed with the U.S. Securities and Exchange Commission on the date hereof, Gerry P. Smith, as Chief Executive Officer of the Company, and D. Anthony Scaglione, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to each officer's knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GERRY P. SMITH

Name: Gerry P. Smith
Title: Chief Executive Officer (Principal Executive Officer)
Date: February 23, 2022

/s/ D. ANTHONY SCAGLIONE

Name: D. Anthony Scaglione
Title: Chief Financial Officer (Principal Financial Officer)
Date: February 23, 2022

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

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).