### SECURITIES AND EXCHANGE COMMISSION

# **FORM 10-12B/A**

Initial general form for registration of a class of securities pursuant to Section 12(b) [amend]

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### **FILER**

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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 4

to

### **FORM 10**

### GENERAL FORM FOR REGISTRATION OF SECURITIES

Pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934

## **GXO** Logistics, Inc.

(Exact name of Registrant as specified in its charter)

Delaware 86-2098312

(State or other jurisdiction of incorporation or organization)

(I.R.S. employer identification number)

Two American Lane Greenwich, CT

06831

(Address of principal executive offices)

(Zip code)

203-489-1598

(Registrant's telephone number, including area code)

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

Title of Each Class

Name of Each Exchange on which

to be so Registered Each Class is to be Registered

Common Stock, \$0.01 par value per share New York Stock Exchange

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

Indicate by check mark whether	er the registrant is a large accelerated filer, an accelerated filer, a nor	n-accelerated filer, a smaller repor	ting
company or an emerging grow	th company. See the definitions of "large accelerated filer," "acceler	rated filer," "smaller reporting	
company" and "emerging grow	th company" in Rule 12b-2 of the Exchange Act. (Check one):		
Large accelerated filer		Accelerated filer	
Non-accelerated filer	X	Smaller reporting company	
		Emerging growth company	
	y, indicate by check mark if the registrant has elected not to use the vised financial accounting standards provided pursuant to Section 13	•	

### GXO LOGISTICS, INC.

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

Certain information required to be included herein is incorporated by reference to specifically identified portions of the body of the information statement filed herewith as Exhibit 99.1. None of the information contained in the information statement shall be incorporated by reference herein or deemed to be a part hereof unless such information is specifically incorporated by reference.

### Item 1. Business.

The information required by this item is contained under the sections of the information statement entitled "Information Statement Summary," "Risk Factors," "Cautionary Note Regarding Forward-Looking Statements," "The Separation and Distribution," "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Certain Relationships and Related Party Transactions" and "Where You Can Find More Information." Those sections are incorporated herein by reference.

### Item 1A. Risk Factors.

The information required by this item is contained under the section of the information statement entitled "Risk Factors." That section is incorporated herein by reference.

### Item 2. Financial Information.

The information required by this item is contained under the sections of the information statement entitled "Capitalization," "Unaudited Pro Forma Condensed Combined Financial Information," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Index to Financial Statements" and the financial statements referenced therein. Those sections are incorporated herein by reference.

### Item 3. *Properties*.

The information required by this item is contained under the section of the information statement entitled "Business." That section is incorporated herein by reference.

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

The information required by this item is contained under the section of the information statement entitled "Security Ownership of Certain Beneficial Owners and Management." That section is incorporated herein by reference.

### Item 5. Directors and Executive Officers.

The information required by this item is contained under the sections of the information statement entitled "Management" and "Directors." Those sections are incorporated herein by reference.

### Item 6. Executive Compensation.

The information required by this item is contained under the sections of the information statement entitled "Executive Compensation" and "Director Compensation." Those sections are incorporated herein by reference.

### Item 7. Certain Relationships and Related Transactions.

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The information required by this item is contained under the sections of the information statement entitled "Management," "Directors" and "Certain Relationships and Related Party Transactions." Those sections are incorporated herein by reference.

### Item 8. Legal Proceedings.

The information required by this item is contained under the section of the information statement entitled "Business—Legal Proceedings." That section is incorporated herein by reference.

### Item 9. Market Price of, and Dividends on, the Registrant's Common Equity and Related Stockholder Matters.

The information required by this item is contained under the sections of the information statement entitled "The Separation and Distribution," "Dividend Policy," "Capitalization," and "Description of Capital Stock." Those sections are incorporated herein by reference.

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

The information required by this item is contained under the sections of the information statement entitled "Description of Material Indebtedness" and "Description of Capital Stock—Sale of Unregistered Securities." Those sections are incorporated herein by reference.

### Item 11. Description of Registrant's Securities to be Registered.

The information required by this item is contained under the sections of the information statement entitled "The Separation and Distribution" "Dividend Policy," and "Description of Capital Stock." Those sections are incorporated herein by reference.

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

The information required by this item is contained under the section of the information statement entitled "Description of Capital Stock." That section is incorporated herein by reference.

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

The information required by this item is contained under the section of the information statement entitled "Index to Financial Statements" and the financial statements referenced therein. That section is incorporated herein by reference.

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

None.

### Item 15. Financial Statements and Exhibits.

### (a) Financial Statements and Schedule

The information required by this item is contained under the sections of the information statement entitled "Unaudited Pro Forma Condensed Combined Financial Information" and "Index to Financial Statements" and the financial statements referenced therein. Those sections are incorporated herein by reference.

### (b) Exhibits

The following documents are filed as exhibits hereto:

Exhibit Number	Exhibit Description
2.1	Form of Separation and Distribution Agreement by and between XPO Logistics, Inc. and GXO Logistics, Inc.
2.2	Form of Transition Services Agreement by and between XPO Logistics, Inc. and GXO Logistics, Inc.
2.3	Form of Tax Matters Agreement by and between XPO Logistics, Inc. and GXO Logistics, Inc.
2.4	Form of Employee Matters Agreement by and between XPO Logistics, Inc. and GXO Logistics, Inc.
2.5	Form of Intellectual Property License Agreement by and between XPO Logistics, Inc. and GXO Logistics, Inc.
3.1	Form of Amended and Restated Certificate of Incorporation of GXO Logistics, Inc.
3.2	Form of Amended and Restated Bylaws of GXO Logistics, Inc.*
4.1	Indenture, dated as of July 2, 2021, among GXO Logistics, Inc. and Wells Fargo Bank, National Association, as <a href="mailto:Trustee">Trustee</a> *
4.2	First Supplemental Indenture, dated as of July 2, 2021, among GXO Logistics, Inc. and Wells Fargo Bank, National Association, as Trustee*
4.3	Registration Rights Agreement, dated July 2, 2021, by and among GXO Logistics, Inc. Barclays Capital Inc., Citigroup Global Markets Inc., Credit Agricole Securities (USA) Inc. and Goldman Sachs & Co. LLC*
10.1	Form of GXO Logistics, Inc. 2021 Omnibus Incentive Plan*
10.2	Form of Option Award Agreement under the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan*
10.3	Form of GXO Logistics Inc. Severance Plan*
10.4	Form of GXO Logistics Inc. Cash Long-Term Incentive Plan*
10.5	Award Agreement under the XPO Logistics, Inc. Cash Long-Term Incentive Plan between XPO Logistics, Inc. and Malcolm Wilson, dated as of January 15, 2020*
10.6	Award Agreement under the XPO Logistics, Inc. Cash Long-Term Incentive Plan between XPO Logistics, Inc. and Maryclaire Hammond dated as of January 15, 2020*
10.7	Offer Letter between XPO Logistics Europe and Malcolm Wilson, dated as of May 14, 2021*
10.8	Service Agreement between XPO Supply Chain UK Limited and Malcolm Wilson, dated as of May 14, 2021*
10.9	Offer Letter between XPO Logistics, Inc. and Baris Oran, dated as of April 20, 2021*
10.10	Offer Letter between XPO Logistics Europe and Maryclaire Hammond, dated as of May 14, 2021*
10.11	Service Agreement between XPO Supply Chain UK Limited and Maryclaire Hammond, dated as of May 14, 2021*
10.12	Pension Top Up Letter between XPO Logistics Europe and Maryclaire Hammond, dated as of May 11, 2021*
10.13	Credit Agreement, dated as of June 23, 2021, by and among GXO Logistics, Inc., the lenders and other parties from time to time party thereto, and Citibank, N.A., as Administrative Agent and an Issuing Lender*
10.14	Service Agreement between XPO Supply Chain UK Limited and Karlis Kirsis, dated as of July 9, 2021
10.15	Pension Top Up Letter between XPO Logistics Europe and Karlis Kirsis, dated as of July 9, 2021
10.16	Offer Letter between XPO Logistics Europe and Karlis Kirsis, dated as of July 9, 2021
21.1	<u>List of Subsidiaries</u>
99.1	Information Statement of GXO Logistics, Inc., preliminary and subject to completion, dated July 15, 2021

### **SIGNATURES**

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

GXO LOGISTICS, INC.

By: /s/ Baris Oran

Name: Baris Oran

Title: Chief Financial Officer

Date: July 15, 2021

# FORM OF SEPARATION AND DISTRIBUTION AGREEMENT BY AND BETWEEN XPO LOGISTICS, INC. AND GXO LOGISTICS, INC.

DATED AS OF [ ], 2021

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### **EXHIBITS**

Exhibit A Amended and Restated Certificate of Incorporation of GXO Logistics, Inc.

Exhibit B Amended and Restated Bylaws of GXO Logistics, Inc.

### SEPARATION AND DISTRIBUTION AGREEMENT

This SEPARATION AND DISTRIBUTION AGREEMENT, dated as of [], 2021 (this "Agreement"), is by and between XPO Logistics, Inc., a Delaware corporation ("Parent"), and GXO Logistics, Inc., a Delaware corporation ("SpinCo"). Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to them in Article I.

### RECITALS

WHEREAS, the board of directors of Parent (the "<u>Parent Board</u>") has determined that it is in the best interests of Parent and its stockholders to create a new publicly traded company that shall operate the SpinCo Business;

WHEREAS, in furtherance of the foregoing, the Parent Board has determined that it is appropriate and desirable to separate the SpinCo Business from the Parent Business (the "Separation") and, following the Separation, make a distribution, on a pro rata basis, to holders of Parent Shares on the Record Date of all of the outstanding SpinCo Shares (the "Distribution");

WHEREAS, SpinCo has been incorporated solely for these purposes and has not engaged in activities, except in connection with the Separation and the Distribution;

WHEREAS, for U.S. federal income tax purposes, the Contribution and the Distribution, taken together, are intended to qualify as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code, and this Agreement is intended to be, and is hereby adopted as, a "plan of reorganization" within the meaning of Treasury Regulations Section 1.368-2(g);

WHEREAS, SpinCo and Parent have prepared, and SpinCo has filed with the SEC, the Form 10, which includes the Information Statement, and which sets forth disclosures concerning SpinCo, the Separation and the Distribution;

WHEREAS, each of Parent and SpinCo has determined that it is appropriate and desirable to set forth the principal corporate transactions required to effect the Separation and the Distribution and certain other agreements that will govern certain matters relating to the Separation and the Distribution and the relationship of Parent, SpinCo and the members of their respective Groups following the Distribution; and

WHEREAS, the Parties acknowledge that this Agreement and the Ancillary Agreements represent the integrated agreement of Parent and SpinCo relating to the Separation and the Distribution, are being entered into together, and would not have been entered into independently.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

# ARTICLE I DEFINITIONS

For the purpose of this Agreement, the following terms shall have the following meanings:

"Action" shall mean any demand, action, claim, dispute, suit, countersuit, arbitration, inquiry, subpoena, proceeding or investigation of any nature (whether criminal, civil, legislative, administrative, regulatory, prosecutorial or otherwise) by or before any federal, state, local, foreign or international Governmental Authority or any arbitration or mediation tribunal.

"Affiliate" shall mean, when used with respect to a specified Person, a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified Person. For the purpose of this definition, "control" (including, with correlative meanings, "controlled by" and "under common control with"), when used with respect to any specified Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other interests, by contract, agreement, obligation, indenture, instrument, lease, promise, arrangement, release, warranty, commitment, undertaking or otherwise. It is expressly agreed that, prior to, at and after the Effective Time, solely for purposes of this Agreement and the Ancillary Agreements, (a) no member of the SpinCo Group shall be deemed to be an Affiliate of any member of the Parent Group and (b) no member of the Parent Group shall be deemed to be an Affiliate of any member of the SpinCo Group.

"Agreement" shall have the meaning set forth in the Preamble.

"Ancillary Agreements" shall mean all agreements (other than this Agreement) entered into by the Parties or the members of their respective Groups (but only agreements as to which no Third Party is a party) in connection with the Separation, the Distribution or the other transactions contemplated by this Agreement, including, but not limited to, the Transition Services Agreement, the Tax Matters Agreement, the Employee Matters Agreement, the Intellectual Property License Agreement, the Transfer Documents and the agreements set forth on Schedule 1.11.

"Approvals or Notifications" shall mean any consents, waivers, approvals, permits or authorizations to be obtained from, notices, registrations or reports to be submitted to, or other filings to be made with, any Third Party, including any Governmental Authority.

"Arbitration Request" shall have the meaning set forth in Section 7.3(a).

"Assets" shall mean, with respect to any Person, the assets, properties, claims and rights (including goodwill) of such Person, wherever located (including in the possession of vendors or other Third Parties or elsewhere), of every kind, character and description, whether real, personal or mixed, tangible, intangible or contingent, in each case whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of such Person, including rights and benefits pursuant to any contract, license, permit,

indenture, note, bond, mortgage, agreement, concession, franchise, instrument, undertaking, commitment, understanding or other arrangement.

- "CEO Negotiation Request" shall have the meaning set forth in Section 7.2.
- "Cash Transfer" shall have the meaning set forth in Section 2.12(a).
- "Code" shall mean the Internal Revenue Code of 1986, as amended.
- "Contribution" shall have the meaning set forth in the Tax Matters Agreement.
- "Customer Information" shall mean, with respect to any business, all information to the extent relating to customers of such business, including names, addresses and transaction data (including merchandise or service purchased, purchase price paid, purchase location (such as particular branch or online), date and time of day of purchase, adjustments and related information and means of payment).
  - "Delayed Parent Asset" shall have the meaning set forth in Section 2.4(h).
  - "Delayed Parent Liability" shall have the meaning set forth in Section 2.4(h).
  - "Delayed SpinCo Asset" shall have the meaning set forth in Section 2.4(c).
  - "Delayed SpinCo Liability" shall have the meaning set forth in Section 2.4(c).
- "Disclosure Document" shall mean any registration statement (including the Form 10) filed with the SEC by or on behalf of any Party or any member of its Group, and also includes any information statement (including the Information Statement), prospectus, offering memorandum, offering circular, periodic report or similar disclosure document, whether or not filed with the SEC or any other Governmental Authority, in each case that describes the Separation or the Distribution or the SpinCo Group or primarily relates to the transactions contemplated hereby.
  - "Dispute" shall have the meaning set forth in Section 7.1.
  - "Distribution" shall have the meaning set forth in the Recitals.
- "<u>Distribution Agent</u>" shall mean the trust company or bank duly appointed by Parent to act as distribution agent, transfer agent and registrar for the SpinCo Shares in connection with the Distribution.
- "<u>Distribution Date</u>" shall mean 12:01 a.m. Eastern Time on [], 2021, which is the date of the consummation of the Distribution, which shall be determined by the Parent Board in its sole and absolute discretion.
  - "Distribution Ratio" shall mean a number equal to one (1).
  - "e-mail" shall have the meaning set forth in Section 10.5.
  - "Effective Time" shall mean 12:01 a.m., New York City time, on the Distribution Date.

"Employee Matters Agreement" shall mean the Employee Matters Agreement to be entered into by and between Parent and SpinCo in connection with the Separation, the Distribution or the other transactions contemplated by this Agreement, as it may be amended from time to time.

"Environmental Law" shall mean any Law relating to pollution, protection or restoration of or prevention of harm to the environment or natural resources, including the use, handling, transportation, treatment, storage, disposal, Release or discharge of Hazardous Materials or the protection of or prevention of harm to human health and safety.

"Environmental Liabilities" shall mean all Liabilities relating to, arising out of or resulting from any Hazardous Materials, Environmental Law or contract or agreement relating to environmental, health or safety matters (including all removal, remediation or cleanup costs, investigatory costs, response costs, natural resources damages, property damages, personal injury damages, costs of compliance with any product take-back requirements or with any settlement, judgment or other determination of Liability and indemnity, contribution or similar obligations) and all costs and expenses, interest, fines, penalties or other monetary sanctions in connection therewith.

"Exchange Act" shall mean the U.S. Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

"Force Majeure" shall mean, with respect to a Party, an event beyond the reasonable control of such Party (or any Person acting on its behalf), which event (a) does not arise or result from the fault or negligence of such Party (or any Person acting on its behalf) and (b) by its nature would not reasonably have been foreseen by such Party (or such Person), or, if it would reasonably have been foreseen, was unavoidable, and includes acts of God, acts of civil or military authority, embargoes, epidemics, pandemics, war, riots, insurrections, fires, explosions, earthquakes, floods, unusually severe weather conditions, labor problems or unavailability of parts, or, in the case of computer systems, any significant and prolonged failure in electrical or air conditioning equipment. Notwithstanding the foregoing, the receipt by a Party of an unsolicited takeover offer or other acquisition proposal, even if unforeseen or unavoidable, and such Party's response thereto shall not be deemed an event of Force Majeure.

"Form 10" shall mean the registration statement on Form 10 filed by SpinCo with the SEC to effect the registration of SpinCo Shares pursuant to the Exchange Act in connection with the Distribution, as such registration statement may be amended or supplemented from time to time prior to the Distribution.

"<u>Former Parent Group Employee</u>" shall have the meaning set forth in the Employee Matters Agreement.

"<u>Former SpinCo Group Employee</u>" shall have the meaning set forth in the Employee Matters Agreement.

"Governmental Approvals" shall mean any Approvals or Notifications to be made to, or obtained from, any Governmental Authority.

"Governmental Authority" shall mean any nation or government, any territory, state, municipality or other political subdivision thereof, and any entity, body, agency, commission, department, board, bureau, court, tribunal or other instrumentality, whether federal, state, local, domestic, foreign or multinational, exercising executive, legislative, judicial, regulatory, administrative or other similar functions of, or pertaining to, a government and any executive official thereof.

"Group" shall mean either the SpinCo Group or the Parent Group, as the context requires.

"Hazardous Materials" shall mean any chemical, material, substance, waste, pollutant, emission, discharge, release or contaminant that could result in Liability under, or that is prohibited, limited or regulated by or pursuant to, any Environmental Law, and any natural or artificial substance (whether solid, liquid or gas, noise, ion, vapor or electromagnetic) that could cause harm to human health or the environment, including petroleum, petroleum products and byproducts, asbestos and asbestos-containing materials, urea formaldehyde foam insulation, electronic, medical or infectious wastes, polychlorinated biphenyls, radon gas, radioactive substances, chlorofluorocarbons and all other ozone-depleting substances.

"Indemnifying Party" shall have the meaning set forth in Section 4.4(a).

"Indemnitee" shall have the meaning set forth in Section 4.4(a).

"Indemnity Payment" shall have the meaning set forth in Section 4.4(a).

"Information" shall mean information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, artwork, design, research and development files, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, Customer Information, cost information, sales and pricing data, customer prospect lists, supplier records and vendor data, correspondence and lists, product literature, communications by or to attorneys (including attorney-client privileged communications), memoranda and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data; provided that "Information" shall not include Intellectual Property Rights.

"Information Statement" shall mean the information statement to be made available to the holders of Parent Shares in connection with the Distribution, as such information statement may be amended or supplemented from time to time prior to the Distribution.

"Information Technology" means the computer systems (including computers, screens, servers, middleware, workstations, routers, hubs, switches, networks, data communications lines and hardware), network and telecommunications systems hardware and other information technology equipment, and all associated documentation.

"Insurance Proceeds" shall mean those monies:

- (a) received by an insured from an insurance carrier; or
- (b) paid by an insurance carrier on behalf of the insured;

in any such case net of any applicable premium adjustments (including reserves and retrospectively rated premium adjustments) and net of any costs or expenses incurred in the collection thereof; <u>provided</u> that in each case Insurance Proceeds shall not include any monies received or paid from an insurance carrier that is Parent or SpinCo or an Affiliate of either Parent or SpinCo.

"Intellectual Property Rights" means any and all common law or statutory rights anywhere in the world arising under or associated with (a) patents, statutory invention registrations, certificates of invention, registered designs, utility models and similar or equivalent rights in inventions and designs, and all rights therein provided by international treaties and conventions, and including any applications for any of the foregoing ("Patents"); (b) trademarks, service marks, slogans, trade dress, trade names, logos, and other designations of origin, and including any applications for any of the foregoing ("Marks"); (c) rights associated with domain names, uniform resource locators, Internet Protocol addresses, social media handles, and other names, identifiers, and locators associated with Internet addresses, sites, and services, and including any applications for any of the foregoing ("Internet Properties"); (d) copyrights, any other equivalent rights in works of authorship or copyrightable subject matter (including rights in software as a work of authorship) and any other related rights of authors, and including any applications for any of the foregoing ("Copyrights"); (d) trade secrets and industrial secret rights, and rights in know-how, inventions, data, and any other confidential or proprietary business or technical information, that derive independent economic value, whether actual or potential, from not being known to other persons ("Trade Secrets"); and (e) other similar or equivalent intellectual property rights anywhere in the world.

"Intellectual Property License Agreement" shall mean the Intellectual Property License Agreement to be entered into by and between Parent and SpinCo or members of their respective Groups in connection with the Separation, the Distribution or the other transactions contemplated by this Agreement, as it may be amended from time to time.

"IRS" shall mean the U.S. Internal Revenue Service.

"JAMS Streamlined Rules" has the meaning set forth in Section 7.3.

"Law" shall mean any national, supranational, federal, state, territorial, provincial, local or similar law (including common law), statute, code, order, ordinance, rule, regulation, treaty (including any income tax treaty), license, permit, authorization, approval, consent, decree, injunction, binding judicial or administrative interpretation or other requirement, in each case enacted, promulgated, issued or entered by a Governmental Authority.

"<u>Liabilities</u>" shall mean all debts, guarantees, assurances, commitments, liabilities, responsibilities, Losses, remediations, deficiencies, damages, fines, penalties, settlements, sanctions, costs, expenses, interest and obligations of any nature or kind, whether

accrued or fixed, absolute or contingent, matured or unmatured, accrued or not accrued, asserted or unasserted, liquidated or unliquidated, foreseen or unforeseen, known or unknown, reserved or unreserved, or determined or determinable, including those arising under any Law, claim (including any Third-Party Claim), demand, Action, or order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority or arbitration tribunal, and those arising under any contract, agreement, obligation, indenture, instrument, lease, promise, arrangement, release, warranty, commitment or undertaking, or any fines, damages or equitable relief that is imposed, in each case, including all costs and expenses relating thereto.

"Linked" shall have the meaning set forth in Section 2.9(a).

"Losses" shall mean actual losses (including any diminution in value), costs, damages, penalties and expenses (including legal and accounting fees and expenses and costs of investigation and litigation), whether or not involving a Third-Party Claim.

"NYSE" shall mean the New York Stock Exchange.

"Officer Negotiation Request" shall have the meaning set forth in Section 7.1.

"Parent" shall have the meaning set forth in the Preamble.

"Parent Accounts" shall have the meaning set forth in Section 2.9(a).

"Parent Assets" shall have the meaning set forth in Section 2.2(b).

"Parent Board" shall have the meaning set forth in the Recitals.

"<u>Parent Business</u>" shall mean all businesses, operations and activities (whether or not such businesses, operations or activities are or have been terminated, divested or discontinued) conducted at any time prior to the Effective Time by either Party or any member of its Group, other than the SpinCo Business.

"Parent Group" shall mean Parent and each Person that is a Subsidiary of Parent (other than SpinCo and any other member of the SpinCo Group).

"Parent Group Employee" shall have the meaning set forth in the Employee Matters Agreement.

"Parent Indemnitees" shall have the meaning set forth in Section 4.2.

"Parent Liabilities" shall have the meaning set forth in Section 2.3(b).

"Parent Names" means the names, Marks or logos of Parent or any of its Affiliates at any time prior to the Effective Time, or any variations or derivatives thereof, either alone or in combination with other words and any names, Marks or logos confusingly similar to or embodying any of the foregoing, in each case other than those names, Marks or logos set forth on Schedule 1.1. For the avoidance of doubt and notwithstanding anything herein to the contrary, the "XPO" name, Mark and logo, including any variations or derivatives thereof, either alone or in combination with other words, shall be part of the Parent Names.

- "Parent Policies" shall have the meaning set forth in Section 5.1(b).
- "Parent Shares" shall mean the shares of common stock, par value \$0.001 per share, of Parent.
- "Parties" shall mean the parties to this Agreement.
- "<u>Permits</u>" shall mean any permits, approvals, authorizations, consents, licenses or certificates issued by any Governmental Authority.
- "<u>Person</u>" shall mean an individual, a general or limited partnership, a corporation, a trust, a joint venture, an unincorporated organization, a limited liability entity, any other entity and any Governmental Authority.
  - "Plan of Reorganization" shall mean the plan and structure set forth on Schedule 2.1(a).
- "Policies" shall mean insurance policies, reinsurance policies and insurance contracts of any kind, including property, excess and umbrella, commercial general liability, director and officer liability, fiduciary liability, cyber technology, professional liability, libel liability, employment practices liability, automobile, aircraft, marine, workers' compensation and employers' liability, employee dishonesty/crime/fidelity, foreign, bonds and self-insurance and captive insurance company arrangements, together with the rights, benefits, privileges and obligations thereunder.
- "Prime Rate" shall mean the rate that Bloomberg displays as "Prime Rate by Country United States" or "Prime Rate by Country US-BB Comp" at <a href="http://www.bloomberg.com/quote/PRIME:IND">http://www.bloomberg.com/quote/PRIME:IND</a> or on a Bloomberg terminal at PRIMBB Index.
- "Privileged Information" shall mean any information, in written, oral, electronic or other tangible or intangible forms, including any communications by or to attorneys (including attorney-client privileged communications), memoranda and other materials prepared by attorneys or under their direction (including attorney work product), as to which a Party or any member of its Group would be entitled to assert or have asserted a privilege or other protection, including the attorney-client and attorney work product privileges.
- "<u>Prohibited Business</u>" shall mean (i) with respect to any member of the Parent Group, the SpinCo Business as conducted as of the Effective Time; and (ii) with respect to any member of the SpinCo Group, the Parent Business as conducted as of the Effective Time.
- "Real Property" shall mean land together with all easements, rights and interests arising out of the ownership thereof or appurtenant thereto and all buildings, structures, improvements and fixtures located thereon.
- "Real Property Leases" shall mean all leases to Real Property and, to the extent covered by such leases, any and all buildings, structures, improvements and fixtures located thereon.

"Record Date" shall mean the close of business on July 23, 2021, which is the date to be determined by the Parent Board in its sole and absolute discretion as the record date for determining holders of Parent Shares entitled to receive SpinCo Shares pursuant to the Distribution.

"Record Holders" shall mean the holders of record of Parent Shares as of the Record Date.

"Registered IP" shall mean all United States, international or foreign (a) Patents and Patent applications; (b) registered Marks and applications to register Marks; (c) registered Copyrights and applications for Copyright registration; and (d) registered Internet Properties.

"Release" shall mean any release, spill, emission, discharge, leaking, pumping, pouring, dumping, injection, deposit, disposal, dispersal, leaching or migration of Hazardous Materials into the environment (including ambient air, surface water, groundwater and surface or subsurface strata).

"Representatives" shall mean, with respect to any Person, any of such Person's directors, officers, employees, agents, consultants, advisors, accountants, attorneys or other representatives.

"SEC" shall mean the U.S. Securities and Exchange Commission.

"Security Interest" shall mean any mortgage, security interest, pledge, lien, charge, claim, option, right to acquire, voting or other restriction, right-of-way, covenant, condition, easement, encroachment, restriction on transfer, or other encumbrance of any nature whatsoever.

"Separation" shall have the meaning set forth in the Recitals.

"Shared Contract" shall have the meaning set forth in Section 2.8(a).

"Software" shall mean any and all (a) computer programs, including any and all software implementation of algorithms, models and methodologies, whether in source code, object code, human readable form or other form, (b) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise, (c) descriptions, flow charts and other work products used to design, plan, organize and develop any of the foregoing, (d) screens, user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons and (e) documentation, including user manuals and other training documentation, relating to any of the foregoing.

"SpinCo" shall have the meaning set forth in the Preamble.

"SpinCo Accounts" shall have the meaning set forth in Section 2.9(a).

"SpinCo Assets" shall have the meaning set forth in Section 2.2(a).

"SpinCo Balance Sheet" shall mean the pro forma combined balance sheet of the SpinCo Business, including any notes and subledgers thereto, as of March 31, 2021, as presented in the Information Statement made available to the Record Holders.

"SpinCo Business" shall mean the contract logistics business and operations of Parent and its relevant Subsidiaries, as such business and operations are described in the "Logistics" segment of Parent in its Annual Report on Form 10-K for the fiscal year ended December 31, 2020 and conducted at any time prior to the Effective Time by either Party or any of their current or former Subsidiaries. For the avoidance of doubt, the SpinCo Business shall include only the business and operations described in the immediately prior sentence, and shall not include any other businesses or operations of Parent or any of its Subsidiaries.

"SpinCo Bylaws" shall mean the Amended and Restated Bylaws of SpinCo, substantially in the form of Exhibit B.

"SpinCo Certificate of Incorporation" shall mean the Amended and Restated Certificate of Incorporation of SpinCo, substantially in the form of Exhibit A.

"SpinCo Contracts" shall mean the following contracts and agreements to which either Party or any member of its Group is a party or by which it or any member of its Group or any of their respective Assets is bound, whether or not in writing (provided that SpinCo Contracts shall not include any contract or agreement that is contemplated to be retained by Parent or any member of the Parent Group from and after the Effective Time pursuant to any provision of this Agreement or any Ancillary Agreement):

- (i) (x) any customer, distribution, supply or vendor contract or agreement with a Third Party entered into prior to the Effective Time exclusively related to the SpinCo Business and (y) with respect to any customer, distribution, supply or vendor contract or agreement with a Third Party entered into prior to the Effective Time that primarily relates to the SpinCo Business but is not exclusively related to the SpinCo Business, that portion of any such customer, distribution, supply or vendor contract or agreement to the extent related to the SpinCo Business;
- (ii) (x) any license agreement entered into prior to the Effective Time exclusively related to the SpinCo Business and (y) with respect to any license agreement entered into prior to the Effective Time that primarily relates to the SpinCo Business but is not exclusively related to the SpinCo Business, that portion of any such license agreement to the extent related to the SpinCo Business;
- (iii) any guarantee, indemnity, representation, covenant, warranty or other Liability of either Party or any member of its Group in respect of any other SpinCo Contract, any SpinCo Liability or the SpinCo Business;
- (iv) any proprietary information and inventions agreement or similar agreement assigning or licensing Intellectual Property Rights with any SpinCo Group Employee, Former SpinCo Group Employee, Parent Group Employee, Former Parent Group Employee, current or former consultant of the SpinCo Group or current or former consultant of the Parent Group, in each case entered into prior to the Effective Time (x) that is exclusively related to the SpinCo Business or (y) if not exclusively related to the SpinCo Business, that portion of any such assignment or agreement to the extent related to the SpinCo Business;

- (v) any contract or agreement that is entered into pursuant to this Agreement or any of the Ancillary Agreements to be assigned to SpinCo or any member of the SpinCo Group;
- (vi) any interest rate, currency, commodity or other swap, collar, cap or other hedging or similar agreements or arrangements exclusively related to the SpinCo Business;
- (vii) any credit agreement, indenture, note or other financing agreement or instrument entered into by SpinCo and/or any member of the SpinCo Group in connection with the Separation, including any SpinCo Financing Arrangements;
- (viii) any contract or agreement entered into in the name of, or expressly on behalf of, any division, business unit or member of the SpinCo Group, in each case so long as primarily related to the SpinCo Business;
- (ix) any other contract or agreement not otherwise set forth herein and exclusively related to the SpinCo Business or SpinCo Assets;
- (x) any employment, change of control, retention, consulting, indemnification, termination, severance or other similar agreements with any SpinCo Group Employee or consultants of the SpinCo Group that are in effect as of the Effective Time;
  - (xi) SpinCo Leases; and
- (xi) any contracts, agreements or settlements set forth on <u>Schedule 1.4</u>, including the right to recover any amounts under such contracts, agreements or settlements.
  - "SpinCo Debt" shall have the meeting set forth in Section 2.12(a).
- "SpinCo Designees" shall mean any and all entities (including corporations, general or limited partnerships, trusts, joint ventures, unincorporated organizations, limited liability entities or other entities) designated by Parent that will be members of the SpinCo Group as of immediately prior to the Effective Time.
  - "SpinCo Financing Arrangements" shall have the meaning set forth in Section 2.12(a).
- "SpinCo Group" shall mean (a) prior to the Effective Time, SpinCo and each Person that will be a Subsidiary of SpinCo as of immediately after the Effective Time, including the Transferred Entities, even if, prior to the Effective Time, such Person is not a Subsidiary of SpinCo; and (b) on and after the Effective Time, SpinCo and each Person that is a Subsidiary of SpinCo.
  - "SpinCo Group Employee" shall have the meaning set forth in the Employee Matters Agreement.
  - "SpinCo Indemnitees" shall have the meaning set forth in Section 4.3.

"SpinCo Intellectual Property" shall mean (i) all Intellectual Property Rights (other than Registered IP) owned by either Party or any member of its Group as of the Effective Time and embodied in Technology exclusively used or exclusively held for use in the SpinCo Business, and (ii) any Intellectual Property Rights set forth on Schedule 1.6.

"SpinCo IT" shall mean all Information Technology owned by either Party or any member of its Group as of the Effective Time exclusively used or exclusively held for use in the SpinCo Business.

"SpinCo Leases" shall have the meaning set forth in the definition of SpinCo Real Property; provided that SpinCo IT does not include any Software licensed from a third party.

"SpinCo Liabilities" shall have the meaning set forth in Section 2.3(a).

"SpinCo Permits" shall mean all Permits owned or licensed by either Party or any member of its Group primarily used or held for use in the SpinCo Business as of the Effective Time.

"SpinCo Real Property" shall mean (a) all of the Real Property owned by either Party or member of its Group as of immediately prior to the Effective Time listed or described on Schedule 1.7(a), (b) the Real Property Leases to which either Party or member of its Group is party as of immediately prior to the Effective Time set forth on Schedule 1.7(b) ("SpinCo Leases") and (c) all recorded Real Property notices, easements and obligations with respect to the Real Property and/or Real Property Leases described in clauses (a) and (b) of this paragraph.

"SpinCo Shares" shall mean the shares of common stock, par value \$0.01 per share, of SpinCo.

"SpinCo Technology" shall mean (a) the copies of Technology with respect to which the Intellectual Property Rights therein are owned by either Party or any member of its Group to the extent that such Technology is (i) used or held for use in the SpinCo Business as of the Effective Time and capable of being copied (for example documentation), including Software set forth on Schedule 1.8 and Technology set forth on Schedule 1.9, and (b) the know-how of the SpinCo Group Employees to the extent related to the SpinCo Business, but in each case, excluding Technology and Software set forth on Schedule 2.2(b)(iv), Information Technology and Tangible Information. For purposes of clarity, SpinCo Technology does not include any Intellectual Property Rights.

"Subsidiary" shall mean, with respect to any Person, any corporation, limited liability company, joint venture or partnership of which such Person (a) beneficially owns, either directly or indirectly, more than fifty percent (50%) of (i) the total combined voting power of all classes of voting securities, (ii) the total combined equity interests or (iii) the capital or profit interests, in the case of a partnership, or (b) otherwise has the power to vote, either directly or indirectly, sufficient securities to elect a majority of the board of directors or similar governing body.

"<u>Tangible Information</u>" shall mean information that is contained in written, electronic or other tangible forms.

- "Target Cash Amount" shall mean one hundred million (\$100,000,000) U.S. dollars.
- "<u>Tax</u>" shall have the meaning set forth in the Tax Matters Agreement.
- "Tax Authority" shall have the meaning set forth in the Tax Matters Agreement.
- "<u>Tax Matters Agreement</u>" shall mean the Tax Matters Agreement to be entered into by and between Parent and SpinCo in connection with the Separation, the Distribution or the other transactions contemplated by this Agreement, as it may be amended from time to time.
  - "<u>Tax Return</u>" shall have the meaning set forth in the Tax Matters Agreement.
- "<u>Technology</u>" shall mean embodiments of Intellectual Property Rights, including blueprints, designs, design protocols, documentation, specifications for materials, specifications for parts and devices, and design tools, materials, manuals, data, databases, Software and know-how or knowledge of employees, relating to, embodying, or describing products, articles, apparatus, devices, processes, methods, formulae, recipes or other technical information; provided that Technology shall not include personal property and books and records or any Intellectual Property Rights.
- "Third Party" shall mean any Person other than the Parties or any members of their respective Groups.
  - "Third-Party Claim" shall have the meaning set forth in Section 4.5(a).
  - "Transfer Documents" shall have the meaning set forth in Section 2.1(b).
  - "Transferred Entities" shall mean the entities set forth on Schedule 1.10.
- "<u>Transition Services Agreement</u>" shall mean the Transition Services Agreement to be entered into by and between Parent and SpinCo in connection with the Separation, the Distribution or the other transactions contemplated by this Agreement, as it may be amended from time to time.
  - "Unreleased Parent Liability" shall have the meaning set forth in Section 2.5(b)(ii).
  - "Unreleased SpinCo Liability" shall have the meaning set forth in Section 2.5(a)(ii).

# ARTICLE II THE SEPARATION

- 2.1 Transfer of Assets and Assumption of Liabilities.
- (a) On or prior to the Effective Time, but in any case prior to the Distribution, in accordance with the Plan of Reorganization:
  - (i) Transfer and Assignment of SpinCo Assets. Parent shall, and shall cause the applicable members of its Group to, contribute, assign, transfer, convey and

deliver to SpinCo, or the applicable SpinCo Designees, and SpinCo or such SpinCo Designees shall accept from Parent and the applicable members of the Parent Group, all of Parent's and such Parent Group member's respective direct or indirect right, title and interest in and to all of the SpinCo Assets (it being understood that if any SpinCo Asset shall be held by a Transferred Entity, such SpinCo Asset shall be deemed assigned, transferred, conveyed and delivered to SpinCo as a result of the transfer of all of the equity interests in such Transferred Entity from Parent or the applicable members of the Parent Group to SpinCo or the applicable SpinCo Designee);

- (ii) Acceptance and Assumption of SpinCo Liabilities. SpinCo and the applicable SpinCo Designees shall accept, assume and agree faithfully to perform, discharge and fulfill all the SpinCo Liabilities in accordance with their respective terms (it being understood that if any SpinCo Liabilities shall be Liabilities of a Transferred Entity, such SpinCo Liabilities shall be deemed assumed by SpinCo as a result of the transfer of all of the equity interests in such Transferred Entity from Parent or the applicable members of the Parent Group to SpinCo or the applicable SpinCo Designee). SpinCo and such SpinCo Designees shall be responsible for all SpinCo Liabilities, regardless of when or where such SpinCo Liabilities arose or arise, or whether the facts on which they are based occurred prior to or subsequent to the Effective Time, regardless of where or against whom such SpinCo Liabilities are asserted or determined (including any SpinCo Liabilities arising out of claims made by Parent's or SpinCo's respective directors, officers, employees, agents, Subsidiaries or Affiliates against any member of the Parent Group or the SpinCo Group) or whether asserted or determined prior to the date hereof, and regardless of whether arising from or alleged to arise from negligence, recklessness, violation of Law, fraud or misrepresentation by any member of the Parent Group or the SpinCo Group, or any of their respective directors, officers, employees, agents, Subsidiaries or Affiliates;
- (iii) Transfer and Assignment of Parent Assets. Parent and SpinCo shall cause SpinCo and the SpinCo Designees to contribute, assign, transfer, convey and deliver to Parent or certain members of the Parent Group designated by Parent, and Parent or such other members of the Parent Group shall accept from SpinCo and the SpinCo Designees, all of SpinCo's and such SpinCo Designees' respective direct or indirect right, title and interest in and to all Parent Assets held by SpinCo or a SpinCo Designee; and
- (iv) Acceptance and Assumption of Parent Liabilities. Parent and certain members of the Parent Group designated by Parent shall accept and assume and agree faithfully to perform, discharge and fulfill all of the Parent Liabilities held by SpinCo or any SpinCo Designee and Parent and the applicable members of the Parent Group shall be responsible for all Parent Liabilities in accordance with their respective terms, regardless of when or where such Parent Liabilities arose or arise, whether the facts on which they are based occurred prior to or subsequent to the Effective Time, where or against whom such Parent Liabilities are asserted or determined (including any such Parent Liabilities arising out of claims made by Parent's or SpinCo's respective directors, officers, employees, agents, Subsidiaries or Affiliates against any member of

the Parent Group or the SpinCo Group) or whether asserted or determined prior to the date hereof, and regardless of whether arising from or alleged to arise from negligence, recklessness, violation of Law, fraud or misrepresentation by any member of the Parent Group or the SpinCo Group, or any of their respective directors, officers, employees, agents, Subsidiaries or Affiliates.

- (b) Transfer Documents. In furtherance of the contribution, assignment, transfer, conveyance and delivery of the Assets and the assumption of the Liabilities in accordance with Section 2.1(a), (i) each Party shall execute and deliver, and shall cause the applicable members of its Group to execute and deliver, to the other Party, such bills of sale, quitclaim deeds, stock powers, certificates of title, assignments of contracts and other instruments of transfer, conveyance and assignment as and to the extent necessary to evidence the transfer, conveyance and assignment of all of such Party's and the applicable members of its Group's right, title and interest in and to such Assets to the other Party and the applicable members of its Group in accordance with Section 2.1(a), and (ii) each Party shall execute and deliver, and shall cause the applicable members of its Group to execute and deliver, to the other Party, such assumptions of contracts and other instruments of assumption as and to the extent necessary to evidence the valid and effective assumption of the Liabilities by such Party and the applicable members of its Group in accordance with Section 2.1(a). All of the foregoing documents contemplated by this Section 2.1(b) shall be referred to collectively herein as the "Transfer Documents."
- (c) *Misallocations*. In the event that at any time or from time to time (whether prior to, at or after the Effective Time), one Party (or any member of such Party's Group) shall receive or otherwise possess any Asset that is allocated to the other Party (or any member of such Party's Group) pursuant to this Agreement or any Ancillary Agreement, such Party shall promptly transfer, or cause to be transferred, such Asset to the Party so entitled thereto (or to any member of such Party's Group), and such Party (or member of such Party's Group) so entitled thereto shall accept such Asset; provided that, cash and cash equivalents received prior to the Effective Time shall not be subject to the requirements of this sentence. Prior to any such transfer, the Person receiving or possessing such Asset shall hold such Asset in trust for such other Person. In the event that at any time or from time to time (whether prior to, at or after the Effective Time), one Party hereto (or any member of such Party's Group) shall receive or otherwise assume or be liable for any Liability that is allocated to the other Party (or any member of such Party's Group) pursuant to this Agreement or any Ancillary Agreement, such other Party shall promptly assume, or cause to be assumed, such Liability and agree to faithfully perform or discharge such Liability in accordance with this Agreement.
- (d) Waiver of Bulk-Sale and Bulk-Transfer Laws. To the extent permissible under applicable Law, SpinCo hereby waives compliance by each and every member of the Parent Group with the requirements and provisions of any "bulk-sale" or "bulk-transfer" Laws of any jurisdiction that may otherwise be applicable with respect to the transfer or sale of any or all of the SpinCo Assets to any member of the SpinCo Group. To the extent permissible under applicable Law, Parent hereby waives compliance by each and every member of the SpinCo Group with the requirements and provisions of any "bulk-sale" or "bulk-transfer" Laws of any

jurisdiction that may otherwise be applicable with respect to the transfer or sale of any or all of the Parent Assets to any member of the Parent Group.

- (e) *Electronic Transfer*. All transferred SpinCo Assets and Parent Assets, including transferred Technology, that can be delivered by electronic transmission will be so delivered or made available to SpinCo, Parent or their respective designees (as applicable), in an electronic form to be reasonably determined by the Parties.
  - 2.2 SpinCo Assets; Parent Assets.
  - (a) SpinCo Assets. For the purposes of this Agreement, "SpinCo Assets" shall mean:
  - (i) all issued and outstanding capital stock or other equity interests of the Transferred Entities that are owned by either Party or any members of its Group as of the Effective Time;
  - (ii) except as otherwise contemplated or set forth in this <u>Section 2.2(a)</u>, all Assets of either Party or any members of its Group included or reflected as assets of the SpinCo Group on the SpinCo Balance Sheet, subject to any dispositions of such Assets subsequent to the date of the SpinCo Balance Sheet; <u>provided</u> that the amounts set forth on the SpinCo Balance Sheet with respect to any Assets shall not be treated as minimum amounts or limitations on the amount of such Assets that are included in the definition of SpinCo Assets pursuant to this clause (ii);
  - (iii) except as otherwise contemplated or set forth in this Section 2.2(a), all Assets of either Party or any of the members of its Group as of the Effective Time that are of a nature or type that would have resulted in such Assets being included as Assets of SpinCo or members of the SpinCo Group on a pro forma combined balance sheet of the SpinCo Group or any notes or subledgers thereto as of the Effective Time (were such balance sheet, notes and subledgers to be prepared on a basis consistent with the determination of the Assets included on the SpinCo Balance Sheet), it being understood that (x) the SpinCo Balance Sheet shall be used to determine the types of, and methodologies used to determine, those Assets that are included in the definition of SpinCo Assets pursuant to this clause (iii) and (y) the amounts set forth on the SpinCo Balance Sheet with respect to any Assets shall not be treated as minimum amounts or limitations on the amount of such Assets that are included in the definition of SpinCo Assets pursuant to this clause (iii);
  - (iv) all Assets of either Party or any of the members of its Group as of the Effective Time that are expressly provided by this Agreement or any Ancillary Agreement as Assets to be transferred to SpinCo or any other member of the SpinCo Group;
  - (v) all SpinCo Contracts as of the Effective Time and all rights, interests or claims of either Party or any of the members of its Group thereunder as of the Effective Time;

- (vi) the SpinCo Intellectual Property as of the Effective Time, including any goodwill appurtenant to any Trademarks included in the SpinCo Intellectual Property and the right to any damages for the infringement of the SpinCo Intellectual Property following the Effective Time;
  - (vii) the SpinCo IT and SpinCo Technology as of the Effective Time;
- (viii) all SpinCo Permits as of the Effective Time and all rights, interests or claims of either Party or any of the members of its Group thereunder as of the Effective Time;
- (ix) all cash and cash equivalents of SpinCo or any of the members of its Group as of the Effective Time (after giving effect to the Cash Transfer) in an amount equal to the Target Cash Amount;
  - (x) all SpinCo Real Property as of the Effective Time;
- (xi) all Assets of either Party or any of the members of its Group as of the Effective Time that are exclusively related to the SpinCo Business;
- (xii) all rights, interests and claims of either Party or any of the members of its Group as of the Effective Time with respect to Information exclusively related to the SpinCo Assets, the SpinCo Liabilities, the SpinCo Business or the Transferred Entities and, subject to the provisions of the applicable Ancillary Agreements, a non-exclusive right to all Information to the extent related to, but not exclusively related to, the SpinCo Assets, the SpinCo Liabilities, the SpinCo Business or the Transferred Entities; and
  - (xiii) any and all Assets set forth on Schedule 2.2(a)(xiii).

Notwithstanding the foregoing, the SpinCo Assets shall not in any event include any Asset referred to in clauses (i) through (vii) of Section 2.2(b).

- (b) *Parent Assets*. For the purposes of this Agreement, "<u>Parent Assets</u>" shall mean all Assets of either Party or the members of its Group as of the Effective Time, other than the SpinCo Assets, it being understood that, notwithstanding anything herein to the contrary, the Parent Assets shall include:
  - (i) all Assets that are expressly provided or contemplated by this Agreement or any Ancillary Agreement (or the Schedules hereto or thereto) as Assets to be retained by Parent or any other member of the Parent Group;
  - (ii) all contracts and agreements of either Party or any of the members of its Group as of the Effective Time (other than the SpinCo Contracts);
  - (iii) (x) the Intellectual Property Rights set forth on Schedule 2.2(b)(iii), and (y) all Intellectual Property Rights of either Party or any of the members of its Group as of the Effective Time (other than, in the case of this clause (y), the SpinCo Intellectual Property);

- (iv) (x) the Technology set forth on <u>Schedule 2.2(b)(iv)</u>, (y) all Technology of either Party or any of the members of its Group as of the Effective Time and (z) copies of all SpinCo Technology, other than, in the case of this clauses (y) and (z), the copies of such Technology that are SpinCo Technology;
- (v) all Information Technology of either Party or any of the members of its Group as of the Effective Time (other than the SpinCo IT);
- (vi) all Permits of either Party or any of the members of its Group as of the Effective Time (other than the SpinCo Permits);
- (vii) all cash and cash equivalents of either Party or any of the members of its Group as of the Effective Time (including cash in respect of the Cash Transfer) (other than cash and cash equivalents of SpinCo or any other member of the SpinCo Group as of the Effective Time in an aggregate amount equal to the Target Cash Amount);
- (viii) all Real Property of either Party or any of the members of its Group as of the Effective Time (other than the SpinCo Real Property); and
  - (ix) any and all Assets set forth on Schedule 2.2(b)(ix).
  - 2.3 SpinCo Liabilities; Parent Liabilities.
- (a) *SpinCo Liabilities*. For the purposes of this Agreement, "<u>SpinCo Liabilities</u>" shall mean the following Liabilities of either Party or any of the members of its Group:
  - (i) all Liabilities included or reflected as liabilities or obligations of SpinCo or the members of the SpinCo Group on the SpinCo Balance Sheet, subject to any discharge of such Liabilities subsequent to the date of the SpinCo Balance Sheet; <u>provided</u> that the amounts set forth on the SpinCo Balance Sheet with respect to any Liabilities shall not be treated as minimum amounts or limitations on the amount of such Liabilities that are included in the definition of SpinCo Liabilities pursuant to this clause (i);
  - (ii) all Liabilities as of the Effective Time that are of a nature or type that would have resulted in such Liabilities being included or reflected as liabilities or obligations of SpinCo or the members of the SpinCo Group on a pro forma combined balance sheet of the SpinCo Group or any notes or subledgers thereto as of the Effective Time (were such balance sheet, notes and subledgers to be prepared on a basis consistent with the determination of the Liabilities included on the SpinCo Balance Sheet), it being understood that (x) the SpinCo Balance Sheet shall be used to determine the types of, and methodologies used to determine, those Liabilities that are included in the definition of SpinCo Liabilities pursuant to this clause (ii) and (y) the amounts set forth on the SpinCo Balance Sheet with respect to any Liabilities shall not be treated as minimum amounts or limitations on the amount of such Liabilities that are included in the definition of SpinCo Liabilities pursuant to this clause (ii);

- (iii) all Liabilities, including any Environmental Liabilities, to the extent relating to, arising out of or resulting from the actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Effective Time (whether or not such Liabilities cease being contingent, mature, become known, are asserted or foreseen, or accrue, in each case before, at or after the Effective Time), in each case to the extent that such Liabilities relate to, arise out of or result from the SpinCo Business or a SpinCo Asset;
- (iv) any and all Liabilities that are expressly provided by this Agreement or any Ancillary Agreement (or the Schedules hereto or thereto) as Liabilities to be assumed by SpinCo or any other member of the SpinCo Group, and all agreements, obligations and Liabilities of any member of the SpinCo Group under this Agreement or any of the Ancillary Agreements;
- (v) all Liabilities to the extent relating to, arising out of or resulting from the SpinCo Contracts, the SpinCo Intellectual Property, the SpinCo Technology, the SpinCo Permits, the SpinCo Real Property or the SpinCo Financing Arrangements;
  - (vi) any and all Liabilities set forth on Schedule 2.3(a)(vi); and
- (vii) all Liabilities arising out of claims made by any Third Party (including Parent's or SpinCo's respective directors, officers, stockholders, employees and agents) against any member of the Parent Group or the SpinCo Group to the extent relating to, arising out of or resulting from the SpinCo Business or the SpinCo Assets or the other business, operations, activities or Liabilities of SpinCo referred to in clauses (i) through (vi) above.
- (b) Parent Liabilities. For the purposes of this Agreement, "Parent Liabilities" shall mean (i) all Liabilities to the extent relating to, arising out of or resulting from actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Effective Time (whether or not such Liabilities cease being contingent, mature, become known, are asserted or foreseen, or accrue, in each case before, at or after the Effective Time) of any member of the Parent Group and, prior to the Effective Time, any member of the SpinCo Group, in each case that are not SpinCo Liabilities, including any and all Liabilities set forth on Schedule 2.3(b), and (ii) all Liabilities arising out of claims made by any Third Party (including Parent's or SpinCo's respective directors, officers, stockholders, employees and agents) against any member of the Parent Group or the SpinCo Group to the extent relating to, arising out of or resulting from the Parent Business or the Parent Assets.

#### 2.4 Approvals and Notifications.

(a) Approvals and Notifications for SpinCo Assets and Liabilities. To the extent that the transfer or assignment of any SpinCo Asset, the assumption of any SpinCo Liability, the Separation or the Distribution requires any Approvals or Notifications, the Parties shall use commercially reasonable efforts to obtain or make such Approvals or Notifications as soon as reasonably practicable; <u>provided</u>, <u>however</u>, that, except to the extent expressly provided in this Agreement or any of the Ancillary Agreements or as otherwise agreed in writing between

Parent and SpinCo, neither Parent nor SpinCo shall be obligated to contribute capital or pay any consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) to any Person in order to obtain or make such Approvals or Notifications.

- (b) Delayed SpinCo Transfers. If and to the extent that the valid, complete and perfected transfer or assignment to the SpinCo Group of any SpinCo Asset or assumption by the SpinCo Group of any SpinCo Liability in connection with the Separation or the Distribution would be a violation of applicable Law or require any Approval or Notification that has not been obtained or made by the Effective Time then, unless the Parties shall otherwise mutually determine, the transfer or assignment to the SpinCo Group of such SpinCo Assets or the assumption by the SpinCo Group of such SpinCo Liabilities, as the case may be, shall be automatically deemed deferred and any such purported transfer, assignment or assumption shall be null and void until such time as all legal impediments are removed or such Approval or Notification has been obtained or made. Notwithstanding the foregoing, any such SpinCo Assets or SpinCo Liabilities shall continue to constitute SpinCo Assets and SpinCo Liabilities for all other purposes of this Agreement.
- (c) Treatment of Delayed SpinCo Assets and Delayed SpinCo Liabilities. If any transfer or assignment of any SpinCo Asset (or a portion thereof) or any assumption of any SpinCo Liability (or a portion thereof) intended to be transferred, assigned or assumed hereunder, as the case may be, is not consummated on or prior to the Effective Time, whether as a result of the provisions of Section 2.4(b) or for any other reason (any such SpinCo Asset (or a portion thereof), a "Delayed SpinCo Asset" and any such SpinCo Liability (or a portion thereof), a "Delayed SpinCo Liability"), then, insofar as reasonably possible and subject to applicable Law, the member of the Parent Group retaining such Delayed SpinCo Asset or such Delayed SpinCo Liability, as the case may be, shall thereafter hold such Delayed SpinCo Asset or Delayed SpinCo Liability, as the case may be, for the use and benefit of the member of the SpinCo Group entitled thereto (at the expense of the member of the SpinCo Group entitled thereto). In addition, the member of the Parent Group retaining such Delayed SpinCo Asset or such Delayed SpinCo Liability shall, insofar as reasonably possible and to the extent permitted by applicable Law, treat such Delayed SpinCo Asset or Delayed SpinCo Liability in the ordinary course of business in accordance with SpinCo Group past practice and take such other actions as may be reasonably requested by the member of the SpinCo Group to whom such Delayed SpinCo Asset is to be transferred or assigned, or which will assume such Delayed SpinCo Liability, as the case may be, in order to place such member of the SpinCo Group in a substantially similar position as if such Delayed SpinCo Asset or Delayed SpinCo Liability had been transferred, assigned or assumed as contemplated hereby and so that all the benefits and burdens relating to such Delayed SpinCo Asset or Delayed SpinCo Liability, as the case may be, including use, risk of loss, potential for gain, and dominion, control and command over such Delayed SpinCo Asset or Delayed SpinCo Liability, as the case may be, and all costs and expenses related thereto, shall inure from and after the Effective Time to the SpinCo Group.
- (d) Transfer of Delayed SpinCo Assets and Delayed SpinCo Liabilities. If and when the Approvals or Notifications, the absence of which caused the deferral of transfer or assignment of any Delayed SpinCo Asset or the deferral of assumption of any Delayed SpinCo Liability pursuant to Section 2.4(b), are obtained or made, and, if and when any other legal

impediments for the transfer or assignment of any Delayed SpinCo Asset or the assumption of any Delayed SpinCo Liability have been removed, the transfer or assignment of the applicable Delayed SpinCo Asset or the assumption of the applicable Delayed SpinCo Liability, as the case may be, shall be effected in accordance with the terms of this Agreement and/or the applicable Ancillary Agreement.

- (e) Costs for Delayed SpinCo Assets and Delayed SpinCo Liabilities. Any member of the Parent Group retaining a Delayed SpinCo Asset or Delayed SpinCo Liability due to the deferral of the transfer or assignment of such Delayed SpinCo Asset or the deferral of the assumption of such Delayed SpinCo Liability, as the case may be, shall not be obligated, in connection with the foregoing, to expend any money, unless the necessary funds are advanced (or otherwise made available) by SpinCo or the member of the SpinCo Group entitled to the Delayed SpinCo Asset or Delayed SpinCo Liability, other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees, all of which shall be promptly reimbursed by SpinCo or the member of the SpinCo Group entitled to such Delayed SpinCo Asset or Delayed SpinCo Liability.
- (f) Approvals and Notifications for Parent Assets and Liabilities. To the extent that the transfer or assignment of any Parent Asset, the assumption of any Parent Liability, the Separation or the Distribution requires any Approvals or Notifications, the Parties shall use commercially reasonable efforts to obtain or make such Approvals or Notifications as soon as reasonably practicable; provided, however, that, except to the extent expressly provided in this Agreement or any of the Ancillary Agreements or as otherwise agreed in writing between Parent and SpinCo, neither Parent nor SpinCo shall be obligated to contribute capital or pay any consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) to any Person in order to obtain or make such Approvals or Notifications.
- (g) Delayed Parent Transfers. If and to the extent that the valid, complete and perfected transfer or assignment to the Parent Group of any Parent Asset or assumption by the Parent Group of any Parent Liability in connection with the Separation or the Distribution would be a violation of applicable Law or require any Approval or Notification that has not been obtained or made by the Effective Time then, unless the Parties shall otherwise mutually determine, the transfer or assignment to the Parent Group of such Parent Assets or the assumption by the Parent Group of such Parent Liabilities, as the case may be, shall be automatically deemed deferred and any such purported transfer, assignment or assumption shall be null and void until such time as all legal impediments are removed or such Approval or Notification has been obtained or made. Notwithstanding the foregoing, any such Parent Assets or Parent Liabilities shall continue to constitute Parent Assets and Parent Liabilities for all other purposes of this Agreement.
- (h) Treatment of Delayed Parent Assets and Delayed Parent Liabilities. If any transfer or assignment of any Parent Asset (or a portion thereof) or any assumption of any Parent Liability (or a portion thereof) intended to be transferred, assigned or assumed hereunder, as the case may be, is not consummated on or prior to the Effective Time whether as a result of the provisions of Section 2.4(g) or for any other reason (any such Parent Asset (or a portion thereof), a "Delayed Parent Asset" and any such Parent Liability (or a portion thereof), a

"Delayed Parent Liability"), then, insofar as reasonably possible and subject to applicable Law, the member of the SpinCo Group retaining such Delayed Parent Asset or such Delayed Parent Liability, as the case may be, shall thereafter hold such Delayed Parent Asset or Delayed Parent Liability, as the case may be, for the use and benefit of the member of the Parent Group entitled thereto (at the expense of the member of the Parent Group entitled thereto). In addition, the member of the SpinCo Group retaining such Delayed Parent Asset or such Delayed Parent Liability shall, insofar as reasonably possible and to the extent permitted by applicable Law, treat such Delayed Parent Asset or Delayed Parent Liability in the ordinary course of business in accordance with Parent Group past practice and take such other actions as may be reasonably requested by the member of the Parent Group to which such Delayed Parent Asset is to be transferred or assigned, or which will assume such Delayed Parent Liability, as the case may be, in order to place such member of the Parent Group in a substantially similar position as if such Delayed Parent Asset or Delayed Parent Liability, as the case may be, including use, risk of loss, potential for gain, and dominion, control and command over such Delayed Parent Asset or Delayed Parent Liability, as the case may be, and all costs and expenses related thereto, shall inure from and after the Effective Time to the Parent Group.

- (i) Transfer of Delayed Parent Assets and Delayed Parent Liabilities. If and when the Approvals or Notifications, the absence of which caused the deferral of transfer or assignment of any Delayed Parent Asset or the deferral of assumption of any Delayed Parent Liability pursuant to Section 2.4(g), are obtained or made, and, if and when any other legal impediments for the transfer or assignment of any Delayed Parent Asset or the assumption of any Delayed Parent Liability have been removed, the transfer or assignment of the applicable Delayed Parent Asset or the assumption of the applicable Delayed Parent Liability, as the case may be, shall be effected in accordance with the terms of this Agreement and/or the applicable Ancillary Agreement.
- Group retaining a Delayed Parent Asset or Delayed Parent Liability due to the deferral of the transfer or assignment of such Delayed Parent Asset or the deferral of the assumption of such Delayed Parent Liability, as the case may be, shall not be obligated, in connection with the foregoing, to expend any money, unless the necessary funds are advanced (or otherwise made available) by Parent or the member of the Parent Group entitled to the Delayed Parent Asset or Delayed Parent Liability, other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees, all of which shall be promptly reimbursed by Parent or the member of the Parent Group entitled to such Delayed Parent Asset or Delayed Parent Liability.
  - 2.5 Novation of Liabilities.
  - (a) Novation of SpinCo Liabilities.
  - (i) Each of Parent and SpinCo, at the request of the other, shall use commercially reasonable efforts to obtain, or to cause to be obtained, as soon as reasonably practicable, any consent, substitution, approval or amendment required to

novate or assign all SpinCo Liabilities and obtain in writing the unconditional release of each member of the Parent Group that is a party to any such arrangements, so that, in any such case, the members of the SpinCo Group shall be solely responsible for such SpinCo Liabilities; provided, however, that, except as otherwise expressly provided in this Agreement or any of the Ancillary Agreements, neither Parent nor SpinCo shall be obligated to contribute any capital or pay any consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) to any Third Party from whom any such consent, substitution, approval, amendment or release is requested.

(ii) If Parent or SpinCo is unable to obtain, or to cause to be obtained, any such required consent, substitution, approval, amendment or release and the applicable member of the Parent Group continues to be bound by such agreement, lease, license or other obligation or Liability (each, an "Unreleased SpinCo Liability"), SpinCo shall, to the extent not prohibited by Law, as indemnitor, guarantor, agent or subcontractor for such member of the Parent Group, as the case may be, (x) pay, perform and discharge fully all the obligations or other Liabilities of such member of the Parent Group that constitute Unreleased SpinCo Liabilities from and after the Effective Time and (y) use commercially reasonable efforts to effect such payment, performance or discharge prior to any demand for such payment, performance or discharge is permitted to be made by the obligee thereunder on any member of the Parent Group. If and when any such consent, substitution, approval, amendment or release shall be obtained or the Unreleased SpinCo Liabilities shall otherwise become assignable or able to be novated, Parent shall promptly assign, or cause to be assigned, and SpinCo or the applicable SpinCo Group member shall assume, such Unreleased SpinCo Liabilities without exchange of further consideration.

## (b) Novation of Parent Liabilities.

- (i) Each of Parent and SpinCo, at the request of the other, shall use commercially reasonable efforts to obtain, or to cause to be obtained, as soon as reasonably practicable, any consent, substitution, approval or amendment required to novate or assign all Parent Liabilities and obtain in writing the unconditional release of each member of the SpinCo Group that is a party to any such arrangements, so that, in any such case, the members of the Parent Group shall be solely responsible for such Parent Liabilities; provided, however, that, except as otherwise expressly provided in this Agreement or any of the Ancillary Agreements, neither Parent nor SpinCo shall be obligated to contribute any capital or pay any consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) to any Third Party from whom any such consent, substitution, approval, amendment or release is requested.
- (ii) If Parent or SpinCo is unable to obtain, or to cause to be obtained, any such required consent, substitution, approval, amendment or release and the applicable member of the SpinCo Group continues to be bound by such agreement, lease, license or other obligation or Liability (each, an "Unreleased Parent Liability"), Parent

shall, to the extent not prohibited by Law, as indemnitor, guarantor, agent or subcontractor for such member of the SpinCo Group, as the case may be, (x) pay, perform and discharge fully all the obligations or other Liabilities of such member of the SpinCo Group that constitute Unreleased Parent Liabilities from and after the Effective Time and (y) use commercially reasonable efforts to effect such payment, performance or discharge prior to any demand for such payment, performance or discharge is permitted to be made by the obligee thereunder on any member of the SpinCo Group. If and when any such consent, substitution, approval, amendment or release shall be obtained or the Unreleased Parent Liabilities shall otherwise become assignable or able to be novated, SpinCo shall promptly assign, or cause to be assigned, and Parent or the applicable Parent Group member shall assume, such Unreleased Parent Liabilities without exchange of further consideration.

- 2.6 <u>Release of Guarantees</u>. In furtherance of, and not in limitation of, the obligations set forth in <u>Section 2.5</u>:
- (a) On or prior to the Effective Time or as soon as practicable thereafter, each of Parent and SpinCo shall, at the request of the other Party and with the reasonable cooperation of such other Party and the applicable member(s) of such other Party's Group, use commercially reasonable efforts to (i) have any member(s) of the Parent Group removed as guarantor of or obligor for any SpinCo Liability to the extent that such guarantee or obligation relates to SpinCo Liabilities, including the removal of any Security Interest on or in any Parent Asset that may serve as collateral or security for any such SpinCo Liability, and (ii) have any member(s) of the SpinCo Group removed as guarantor of or obligor for any Parent Liability to the extent that such guarantee or obligation relates to Parent Liabilities, including the removal of any Security Interest on or in any SpinCo Asset that may serve as collateral or security for any such Parent Liability.
  - (b) To the extent required to obtain a release from a guarantee of:
  - (i) any member of the Parent Group, SpinCo shall execute a guarantee agreement substantially in the form of the existing guarantee or such other form as is agreed to by the relevant parties to such guarantee agreement, which agreement shall include the removal of any Security Interest on or in any Parent Asset that may serve as collateral or security for any SpinCo Liability, except to the extent that such existing guarantee contains representations, covenants or other terms or provisions either (x) with which SpinCo would be reasonably unable to comply or (y) which SpinCo would not reasonably be able to avoid breaching; and
  - (ii) any member of the SpinCo Group, Parent shall execute a guarantee agreement substantially in the form of the existing guarantee or such other form as is agreed to by the relevant parties to such guarantee agreement, which agreement shall include the removal of any Security Interest on or in any SpinCo Asset that may serve as collateral or security for any Parent Liability, except to the extent that such existing guarantee contains representations, covenants or other terms or provisions either (x) with which Parent would be reasonably unable to comply or (y) which Parent would not reasonably be able to avoid breaching.

(c) If Parent or SpinCo is unable to obtain, or to cause to be obtained, any such required removal or release as set forth in clauses (a) and (b) of this Section 2.6, (i) the Party or the relevant member of its Group that has assumed the Liability with respect to such guarantee shall indemnify, defend and hold harmless the guarantor or obligor against or from any Liability arising from or relating thereto in accordance with the provisions of Article IV and shall, as agent or subcontractor for such guarantor or obligor, pay, perform and discharge fully all the obligations or other Liabilities of such guarantor or obligor thereunder, and (ii) each of Parent and SpinCo, on behalf of itself and the other members of their respective Groups, agree not to renew or extend the term of, increase any obligations under, or transfer to a Third Party, any loan, guarantee, lease, contract or other obligation for which the other Party or a member of its Group is or may be liable, unless all obligations of such other Party and the members of such other Party's Group with respect thereto are thereupon terminated by documentation satisfactory in form and substance to such other Party.

## 2.7 Termination of Agreements.

- (a) Except as set forth in Section 2.7(b), in furtherance of the releases and other provisions of Section 4.1, SpinCo and each member of the SpinCo Group, on the one hand, and Parent and each member of the Parent Group, on the other hand, hereby terminate any and all agreements, arrangements, commitments or understandings, whether or not in writing, between or among SpinCo and/or any member of the SpinCo Group, on the one hand, and Parent and/or any member of the Parent Group, on the other hand, effective as of the Effective Time. No such terminated agreement, arrangement, commitment or understanding (including any provision thereof which purports to survive termination) shall be of any further force or effect after the Effective Time. Each Party shall, at the reasonable request of the other Party, take, or cause to be taken, such other actions as may be necessary to effect the foregoing.
- (b) The provisions of Section 2.7(a) shall not apply to any of the following agreements, arrangements, commitments or understandings (or to any of the provisions thereof): (i) this Agreement and the Ancillary Agreements (and each other agreement or instrument expressly contemplated by this Agreement or any Ancillary Agreement to be entered into by any of the Parties or any of the members of their respective Groups or to be continued from and after the Effective Time); (ii) any agreements, arrangements, commitments or understandings listed or described on Schedule 2.7(b)(ii); (iii) any agreements, arrangements, commitments or understandings to which any Third Party is a party thereto (including for the avoidance of doubt, any Shared Contracts); (iv) any intercompany accounts payable or accounts receivable accrued as of the Effective Time that are reflected in the books and records of the Parties or otherwise documented in writing in accordance with past practices, which shall be settled in the manner contemplated by Section 2.7(c); and (v) any agreements, arrangements, commitments or understandings to which any non-wholly owned Subsidiary of Parent or SpinCo, as the case may be, is a party (it being understood that directors' qualifying shares or similar interests will be disregarded for purposes of determining whether a Subsidiary is wholly owned).
- (c) All of the intercompany accounts receivable and accounts payable between any member of the Parent Group, on the one hand, and any member of the SpinCo Group, on the other hand, outstanding as of the Effective Time shall, at the Effective Time or as

promptly as practicable after the Effective Time, be repaid, settled or otherwise eliminated (including by means of cash transfers) as determined by Parent in its sole discretion prior to the Effective Time or as mutually and in good faith determined by Parent and SpinCo after the Effective Time.

#### 2.8 Treatment of Shared Contracts.

- Subject to applicable Law and without limiting the generality of the obligations set forth in Section 2.1, unless the Parties otherwise agree in writing or the benefits of any contract, agreement, arrangement, commitment or understanding described in this Section 2.8 are expressly conveyed to the applicable Party pursuant to this Agreement or an Ancillary Agreement, any contract or agreement, a portion of which is a SpinCo Contract, but the remainder of which is a Parent Asset (any such contract or agreement, including those set forth on Schedule 2.8, a "Shared Contract"), shall be assigned in relevant part to the applicable member(s) of the applicable Group, if so assignable, or appropriately amended prior to, on or after the Effective Time, so that each Party or the member of its Group shall, as of the Effective Time, (i) be entitled to the rights and benefits, (ii) assume the related portion of any Liabilities, inuring to its respective businesses and (iii) take any actions set forth on Schedule 2.8 with respect to such Shared Contract; provided, however, that (x) in no event shall any member of any Group be required to assign (or amend) any Shared Contract in its entirety or to assign a portion of any Shared Contract that is not assignable (or cannot be amended) by its terms (including any terms imposing consents or conditions on an assignment where such consents or conditions have not been obtained or fulfilled) and (y) if any Shared Contract cannot be so partially assigned by its terms or otherwise, or cannot be amended or if such assignment or amendment would impair the benefit the parties thereto derive from such Shared Contract, then the Parties shall, and shall cause each of the members of their respective Groups to, take such other reasonable and permissible actions (including by providing prompt notice to the other Party with respect to any relevant claim of Liability or other relevant matters arising in connection with a Shared Contract so as to allow such other Party the ability to exercise any applicable rights under such Shared Contract) to cause a member of the SpinCo Group or the Parent Group, as the case may be, to receive the rights and benefits of that portion of each Shared Contract that relates to the SpinCo Business or the Parent Business, as the case may be (in each case, to the extent so related), as if such Shared Contract had been assigned to a member of the applicable Group (or amended to allow a member of the applicable Group to exercise applicable rights under such Shared Contract) pursuant to this Section 2.8, and to bear the burden of the corresponding Liabilities (including any Liabilities that may arise by reason of such arrangement), as if such Liabilities had been assumed by a member of the applicable Group pursuant to this <u>Section 2.8</u>.
- (b) Each of Parent and SpinCo shall, and shall cause the members of its Group to, (i) treat for all Tax purposes the portion of each Shared Contract inuring to its respective businesses as an Asset owned by, and/ or a Liability of, as applicable, such Party, or the members of its Group, as applicable, not later than the Effective Time, and (ii) neither report nor take any Tax position (on a Tax Return or otherwise) inconsistent with such treatment (unless required by applicable Law).

(c) Nothing in this <u>Section 2.8</u> shall require any member of any Group to make any non-*de minimis* payment (except to the extent advanced, assumed or agreed in advance to be reimbursed by any member of the other Group), incur any non-*de minimis* obligation or grant any non-*de minimis* concession for the benefit of any member of any other Group in order to effect any transaction contemplated by this <u>Section 2.8</u>.

#### 2.9 Bank Accounts; Cash Balances.

- (a) Each Party agrees to take, or cause the members of its Group to take, at the Effective Time (or such earlier time as the Parties may agree), all actions necessary to amend all contracts or agreements governing each bank and brokerage account owned by SpinCo or any other member of the SpinCo Group (collectively, the "SpinCo Accounts") and all contracts or agreements governing each bank or brokerage account owned by Parent or any other member of the Parent Group (collectively, the "Parent Accounts") so that each such SpinCo Account and Parent Account, if currently Linked (whether by automatic withdrawal, automatic deposit or any other authorization to transfer funds from or to, hereinafter "Linked") to any Parent Account or SpinCo Account, respectively, is de-Linked from such Parent Account or SpinCo Account, respectively.
- (b) It is intended that, following consummation of the actions contemplated by Section 2.9(a), there will be in place a cash management process pursuant to which the SpinCo Accounts will be managed and funds collected will be transferred into one (1) or more accounts maintained by SpinCo or a member of the SpinCo Group.
- (c) It is intended that, following consummation of the actions contemplated by <u>Section 2.9(a)</u>, there will continue to be in place a cash management process pursuant to which the Parent Accounts will be managed and funds collected will be transferred into one (1) or more accounts maintained by Parent or a member of the Parent Group.
- (d) With respect to any outstanding checks issued or payments initiated by Parent, SpinCo, or any of the members of their respective Groups prior to the Effective Time, such outstanding checks and payments shall be honored following the Effective Time by the Person or Group owning the account on which the check is drawn or from which the payment was initiated, respectively.
- (e) As between Parent and SpinCo (and the members of their respective Groups), all payments made and reimbursements received after the Effective Time by either Party (or member of its Group) that relate to a business, Asset or Liability of the other Party (or member of its Group), shall be held by such Party in trust for the use and benefit of the Party entitled thereto and, promptly following receipt by such Party of any such payment or reimbursement, such Party shall pay over, or shall cause the applicable member of its Group to pay over to the other Party, the amount of such payment or reimbursement without right of set-off.
- (f) It is understood and agreed that, effective as of the Effective Time (and after giving effect to the Cash Transfer), SpinCo and members of the SpinCo Group shall have

(following the adjustments (if any) contemplated by this <u>Section 2.9</u>) cash and cash equivalents in an aggregate amount that equals the Target Cash Amount.

- (g) Within fifteen (15) days after the Distribution Date, SpinCo shall cause to be prepared in good faith and delivered to Parent a statement (the "Statement") setting forth cash and cash equivalents (net of any overdrafts) held by each member of the SpinCo Group as of the Effective Time (the aggregate amount of such cash and cash equivalents, the "Final Cash Balance").
- (h) Parent shall have ten (10) days to review the Statement delivered by SpinCo from the date of its receipt thereof (the "Review Period"). During the Review Period, Parent shall have reasonable access during normal business hours to the books and records, personnel and advisors of SpinCo to the extent reasonably required in connection with such review. If Parent objects to any aspect of SpinCo's Statement, Parent shall deliver a written notice of objection (an "Objection Notice") to SpinCo prior to the expiration of its Review Period setting forth in reasonable detail the basis for any such objection. If Parent delivers an Objection Notice to SpinCo prior to the expiration of its Review Period, the Parties shall for a period of five (5) days thereafter (the "Resolution Period") attempt in good faith to resolve the matters set forth in such Objection Notice, and any written resolution, signed by both Parties, as to any such matter shall be final, binding, conclusive and non-appealable for all purposes of this Agreement. If Parent does not deliver an Objection Notice in accordance with this paragraph (h) of this Section 2.9 prior to the expiration of its Review Period, Parent shall be deemed to have agreed to the Statement delivered by SpinCo in its entirety, which Preliminary Statement shall be final, binding, conclusive and non-appealable for all purposes of this Agreement.
- (i) If, at the conclusion of a Resolution Period, Parent and SpinCo have not reached an agreement with respect to all disputed matters set forth in the applicable Objection Notice, within five (5) days thereafter, Parent and SpinCo shall submit for resolution those matters remaining in dispute to PricewaterhouseCoopers LLP (the "Neutral Arbitrator"). The Neutral Arbitrator shall act as an arbitrator to resolve (based solely on the written and oral presentations of Parent and SpinCo and not by independent review) only those matters submitted to it in accordance with the first sentence of this paragraph (i) of this Section 2.9. Parent and SpinCo shall direct the Neutral Arbitrator to render a resolution of all such disputed matters as promptly as practicable and in any event within thirty (30) days after its engagement. With respect to each disputed matter, the Neutral Arbitrator's determination, if not in accordance with the position of either Parent or SpinCo, shall not be in excess of the higher, nor less than the lower, of the amounts set forth in the applicable Statement or Objection Notice, as applicable. The resolution of the Neutral Arbitrator shall be set forth in a written statement delivered to each of Parent and SpinCo and shall be final, binding, conclusive and nonappealable for all purposes of this Agreement. A Statement, once modified and/or agreed to in accordance with paragraph (h) or this paragraph (j) of this Section 2.9, shall be final, binding, conclusive and non-appealable for all purposes of this Agreement. All fees and expenses relating to the work performed by the Neutral Arbitrator with respect hereto shall be shared equally between Parent and SpinCo. Except as provided in the immediately preceding sentence, all other costs and expenses incurred by the parties in connection with resolving any dispute under this Section 2.9 shall be borne by the Party incurring such cost or expense.

- (j) If the Final Cash Balance exceeds the Target Cash Amount, then SpinCo shall pay or cause to be paid an amount in cash equal to such difference to Parent by wire transfer of immediately available funds to an account or accounts designated in writing by Parent to SpinCo within five (5) Business Days after the date of delivery of the final, binding, conclusive and non-appealable Statement. If the Final Cash Balance is less than the Target Cash Amount, then Parent shall pay or cause to be paid an amount in cash equal to such absolute value of the difference to SpinCo by wire transfer of immediately available funds to an account or accounts designated in writing by SpinCo to Parent within five (5) Business Days after the date of delivery of the final, binding, conclusive and non-appealable Statement. Any such payment shall be treated by the Parties for all purposes as an adjustment to the Cash Transfer.
- 2.10 <u>Ancillary Agreements</u>. Effective on or prior to the Effective Time, each of Parent and SpinCo will, or will cause the applicable members of their Groups to, execute and deliver all Ancillary Agreements to which it is a party.
- 2.11 Disclaimer of Representations and Warranties. EACH OF PARENT (ON BEHALF OF ITSELF AND EACH MEMBER OF THE PARENT GROUP) AND SPINCO (ON BEHALF OF ITSELF AND EACH MEMBER OF THE SPINCO GROUP) UNDERSTANDS AND AGREES THAT, EXCEPT AS EXPRESSLY SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT, NO PARTY TO THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR ANY OTHER AGREEMENT OR DOCUMENT CONTEMPLATED BY THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR OTHERWISE, IS REPRESENTING OR WARRANTING IN ANY WAY AS TO: (A) THE ASSETS, BUSINESSES OR LIABILITIES TRANSFERRED OR ASSUMED AS CONTEMPLATED HEREBY OR THEREBY, (B) ANY CONSENTS OR APPROVALS REQUIRED IN CONNECTION THEREWITH, (C) THE VALUE OR FREEDOM FROM ANY SECURITY INTERESTS OF, OR ANY OTHER MATTER CONCERNING, ANY ASSETS OF SUCH PARTY, (D) THE ABSENCE OF ANY DEFENSES OR RIGHT OF SET-OFF OR FREEDOM FROM COUNTERCLAIM WITH RESPECT TO ANY CLAIM OR OTHER ASSET. INCLUDING ANY ACCOUNTS RECEIVABLE, OF ANY PARTY, OR (E) THE LEGAL SUFFICIENCY OF ANY ASSIGNMENT, DOCUMENT OR INSTRUMENT DELIVERED HEREUNDER TO CONVEY TITLE TO ANY ASSET OR THING OF VALUE UPON THE EXECUTION, DELIVERY AND FILING HEREOF OR THEREOF. EXCEPT AS MAY EXPRESSLY BE SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT, ALL SUCH ASSETS ARE BEING TRANSFERRED ON AN "AS IS," "WHERE IS" BASIS (AND, IN THE CASE OF ANY REAL PROPERTY, BY MEANS OF A QUITCLAIM OR SIMILAR FORM OF DEED OR CONVEYANCE), AND THE RESPECTIVE TRANSFEREES SHALL BEAR THE ECONOMIC AND LEGAL RISKS THAT (I) ANY CONVEYANCE WILL PROVE TO BE INSUFFICIENT TO VEST IN THE TRANSFEREE GOOD AND MARKETABLE TITLE, FREE AND CLEAR OF ANY SECURITY INTEREST, AND (II) ANY NECESSARY APPROVALS OR NOTIFICATIONS ARE NOT OBTAINED OR MADE OR THAT ANY REQUIREMENTS OF LAWS OR JUDGMENTS ARE NOT COMPLIED WITH.

- 2.12 SpinCo Financing Arrangements; SpinCo Debt Incurrence.
- (a) Prior to the Effective Time and pursuant to the Plan of Reorganization, (i) SpinCo and/or other members of the SpinCo Group will enter into one or more financing arrangements and agreements, as set forth on Schedule 2.12 (the "SpinCo Financing Arrangements"), pursuant to which it or they shall borrow prior to the Effective Time a principal amount of not less than \$800,000,000 (the "SpinCo Debt") and (ii) SpinCo and/or other members of the SpinCo Group shall distribute, convey or otherwise transfer in the manner determined by Parent some or all (as determined by Parent) of the proceeds of the SpinCo Debt to Parent as partial consideration for the transfer of the SpinCo Assets to SpinCo in the Contribution pursuant to Section 2.1 (such distribution, conveyance or transfer, the "Cash Transfer"). Parent and SpinCo agree to take, and shall cause the respective members of their Group to take, all necessary actions to assure the full release and discharge of Parent and the other members of the Parent Group from all liabilities and other obligations pursuant to the SpinCo Financing Arrangements as of no later than the Effective Time. The Parties agree that SpinCo or another member of the SpinCo Group, as the case may be, and not Parent or any member of the Parent Group, are and shall be responsible for all costs and expenses incurred in connection with the SpinCo Financing Arrangements.
- (b) Prior the Effective Time, Parent and SpinCo shall cooperate in the preparation of all materials as may be necessary or advisable to execute the SpinCo Financing Arrangements.
- Financial Information Certifications. Parent's disclosure controls and procedures and internal control over financial reporting (as each is contemplated by the Exchange Act) are currently applicable to SpinCo as its wholly-owned Subsidiary (and not as an reporting company under the Exchange Act). In order to enable the principal executive officer and principal financial officer of SpinCo to make the certifications required of them under Section 302 of the Sarbanes-Oxley Act of 2002 following the Distribution in respect of any quarterly or annual fiscal period of SpinCo that begins on or prior to the Distribution Date in respect of which financial statements are not included in the Form 10 (a "Straddle Period"), upon twenty (20) Business Days' advance written request by SpinCo, Parent shall provide SpinCo with one (1) or more certifications with respect to such disclosure controls and procedures and the effectiveness thereof and whether there were any changes in the internal controls over financial reporting that have materially affected or are reasonably likely to materially affect the internal control over financing reporting, which certification(s) shall (x) be with respect to the applicable Straddle Period (it being understood that no certification need be provided with respect to any period or portion of any period after the Distribution Date) and (y) be in substantially the same form as those that had been provided by officers or employees of Parent in similar certifications delivered prior to the Distribution Date, with such changes thereto as Parent may reasonably determine. Such certification(s) shall be provided by Parent (and not by any officer or employee in their individual capacity).

# ARTICLE III THE DISTRIBUTION

- 3.1 <u>Sole and Absolute Discretion; Cooperation</u>.
- (a) Parent shall, in its sole and absolute discretion, determine the terms of the Distribution, including the form, structure and terms of any transaction(s) and/or offering(s) to effect the Distribution and the timing and conditions to the consummation of the Distribution. In addition, Parent may, at any time and from time to time until the consummation of the Distribution, modify or change the terms of the Distribution, including by accelerating or delaying the timing of the consummation of all or part of the Distribution. Nothing shall in any way limit Parent's right to terminate this Agreement or the Distribution as set forth in <u>Article IX</u> or alter the consequences of any such termination from those specified in <u>Article IX</u>.
- (b) SpinCo shall cooperate with Parent to accomplish the Distribution and shall, at Parent's direction, promptly take any and all actions necessary or desirable to effect the Distribution, including in respect of the registration under the Exchange Act of SpinCo Shares on the Form 10. Parent shall select any investment bank or manager in connection with the Distribution, as well as any financial printer, solicitation and/or exchange agent and financial, legal, accounting and other advisors for Parent. SpinCo and Parent, as the case may be, will provide to the Distribution Agent any information required in order to complete the Distribution.
- 3.2 <u>Actions Prior to the Distribution</u>. Prior to the Effective Time and subject to the terms and conditions set forth herein, the Parties shall take, or cause to be taken, the following actions in connection with the Distribution:
- (a) *Notice to NYSE*. Parent shall, to the extent possible, give the NYSE not less than ten (10) days' advance notice of the Record Date in compliance with Rule 10b-17 under the Exchange Act.
- (b) SpinCo Certificate of Incorporation and SpinCo Bylaws. On or prior to the Distribution Date, Parent and SpinCo shall take all necessary actions so that, as of the Effective Time, the SpinCo Certificate of Incorporation and the SpinCo Bylaws shall become the certificate of incorporation and bylaws of SpinCo, respectively.
- (c) SpinCo Directors and Officers. On or prior to the Distribution Date, Parent and SpinCo shall take all necessary actions so that as of the Effective Time: (i) the directors and executive officers of SpinCo shall be those set forth in the Information Statement made available to the Record Holders prior to the Distribution Date, unless otherwise agreed by the Parties; (ii) each individual referred to in clause (i), with the exception of Bradley S. Jacobs, shall have resigned from his or her position, if any, as a member of the Parent Board and/or as an executive officer of Parent; and (iii) SpinCo shall have such other officers as SpinCo shall appoint.
- (d) NYSE Listing. SpinCo shall prepare and file, and shall use its best efforts to have approved, an application for the listing of the SpinCo Shares to be distributed in the Distribution on the NYSE, subject to official notice of distribution.

- (e) Securities Law Matters. SpinCo shall file any amendments or supplements to the Form 10 as may be necessary or advisable in order to cause the Form 10 to become and remain effective as required by the SEC or federal, state or other applicable securities Laws. Parent and SpinCo shall cooperate in preparing, filing with the SEC and causing to become effective registration statements or amendments thereof that are required to reflect the establishment of, or amendments to, any employee benefit and other plans necessary or advisable in connection with the transactions contemplated by this Agreement and the Ancillary Agreements. Parent and SpinCo will prepare, and SpinCo will, to the extent required under applicable Law, file with the SEC any such documentation and any requisite no-action letters that Parent determines are necessary or desirable to effectuate the Distribution, and Parent and SpinCo shall each use reasonable best efforts to obtain all necessary approvals from the SEC with respect thereto as soon as practicable. Parent and SpinCo shall take all such action as may be necessary or appropriate under the securities or blue sky Laws of the United States (and any comparable Laws under any foreign jurisdiction) in connection with the Distribution.
- (f) Availability of Information Statement. Parent shall, as soon as is reasonably practicable after the Form 10 is declared effective under the Exchange Act and the Parent Board has approved the Distribution, cause the Information Statement to be mailed or otherwise made available to the Record Holders.
- (g) The Distribution Agent. Parent shall enter into a distribution agent agreement with the Distribution Agent or otherwise provide instructions to the Distribution Agent regarding the Distribution.
- (h) Stock-Based Employee Benefit Plans. Parent and SpinCo shall take all actions as may be necessary to approve the grants of adjusted equity awards by Parent (in respect of Parent Shares) and SpinCo (in respect of SpinCo Shares) in connection with the Distribution in order to satisfy the requirements of Rule 16b-3 under the Exchange Act.

#### 3.3 Conditions to the Distribution.

- (a) The consummation of the Distribution will be subject to the satisfaction, or waiver by Parent in its sole and absolute discretion, of the following conditions:
  - (i) The SEC shall have declared effective the Form 10; no order suspending the effectiveness of the Form 10 shall be in effect; and no proceedings for such purposes shall have been instituted or threatened by the SEC;
  - (ii) The Information Statement shall have been mailed or otherwise made available to the Record Holders;
  - (iii) Parent shall have received an opinion from its external tax counsel, satisfactory to the Parent Board in its sole discretion, regarding the qualification of the Contribution and the Distribution, taken together, as a transaction described in Sections 355 and 368(a)(1)(D) of the Code;
  - (iv) An independent appraisal firm acceptable to Parent shall have delivered one (1) or more opinions to the Parent Board confirming the solvency and

financial viability of Parent immediately prior to the Distribution and of Parent and SpinCo immediately after consummation of the Distribution, and such opinions shall be acceptable to Parent in form and substance in Parent's sole discretion and such opinions shall not have been withdrawn or rescinded;

- (v) The transfer of the SpinCo Assets (other than any Delayed SpinCo Asset) and SpinCo Liabilities (other than any Delayed SpinCo Liability) contemplated to be transferred from Parent (or the applicable members of its Group) to SpinCo (or the applicable members of its Group) on or prior to the Distribution shall have occurred as contemplated by Section 2.1, and the transfer of the Parent Assets (other than any Delayed Parent Asset) and Parent Liabilities (other than any Delayed Parent Liability) contemplated to be transferred from SpinCo (or the applicable members of its Group) to Parent (or the applicable members of its Group) on or prior to the Distribution Date shall have occurred as contemplated by Section 2.1, in each case pursuant to the Plan of Reorganization;
- (vi) The actions and filings necessary or appropriate under applicable U.S. federal, U.S. state or other securities Laws or blue sky Laws and the rules and regulations thereunder shall have been taken or made, and, where applicable, have become effective or been accepted by the applicable Governmental Authority;
- (vii) Each of the Ancillary Agreements shall have been duly executed and delivered by the applicable parties thereto;
- (viii) No order, injunction or decree issued by any Governmental Authority of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Separation, the Distribution or any of the transactions related thereto shall be pending or in effect;
- (ix) The SpinCo Shares to be distributed to the Parent stockholders in the Distribution shall have been approved for listing on the NYSE, subject to official notice of distribution;
- (x) SpinCo and/or other members of the SpinCo Group, as applicable, shall have consummated the SpinCo Financing Arrangements. SpinCo and/or other members of the SpinCo Group shall have issued and incurred the SpinCo Debt on terms satisfactory to Parent in its sole and absolute discretion. Parent shall have received the proceeds from the Cash Transfer. Parent shall be satisfied in its sole and absolute discretion that, as of the Effective Time, it shall have no Liability whatsoever under the SpinCo Financing Arrangements; and
- (xi) No other events or developments shall exist or shall have occurred that, in the judgment of the Parent Board, in its sole and absolute discretion, makes it inadvisable to effect the Separation, the Distribution or the transactions contemplated by this Agreement or any Ancillary Agreement.
- (b) The foregoing conditions are for the sole benefit of Parent and shall not give rise to or create any duty on the part of Parent or the Parent Board to waive or not waive any

such condition or in any way limit Parent's right to terminate this Agreement as set forth in <u>Article IX</u> or alter the consequences of any such termination from those specified in <u>Article IX</u>. Any determination made by the Parent Board prior to the Distribution concerning the satisfaction or waiver of any or all of the conditions set forth in <u>Section 3.3(a)</u> shall be conclusive and binding on the Parties. If Parent waives any material condition, it shall promptly issue a press release disclosing such fact and file a Current Report on Form 8-K with the SEC describing such waiver.

## 3.4 The Distribution.

- (a) Subject to Section 3.3, on or prior to the Effective Time, SpinCo will deliver to the Distribution Agent, for the benefit of the Record Holders, book-entry transfer authorizations for such number of the outstanding SpinCo Shares as is necessary to effect the Distribution, and shall cause the transfer agent for the Parent Shares to instruct the Distribution Agent to distribute at the Effective Time the appropriate number of SpinCo Shares to each such holder or designated transferee or transferees of such holder by way of direct registration in book-entry form. SpinCo will not issue paper stock certificates in respect of the SpinCo Shares. The Distribution shall be effective at the Effective Time.
- (b) Subject to Sections 3.3 and 3.4(c), each Record Holder will be entitled to receive in the Distribution a number of whole SpinCo Shares equal to the number of Parent Shares held by such Record Holder on the Record Date multiplied by the Distribution Ratio.
- (c) For the avoidance of doubt, no fractional shares will be distributed or credited to book-entry accounts in connection with the Distribution.
- (d) Any SpinCo Shares that remain unclaimed by any Record Holder one hundred eighty (180) days after the Distribution Date shall be delivered to SpinCo, and SpinCo or its transfer agent on its behalf shall hold such SpinCo Shares for the account of such Record Holder, and the Parties agree that all obligations to provide such SpinCo Shares shall be obligations of SpinCo, subject in each case to applicable escheat or other abandoned property Laws, and Parent shall have no Liability with respect thereto.
- (e) Until the SpinCo Shares are duly transferred in accordance with this Section 3.4 and applicable Law, from and after the Effective Time, SpinCo will regard the Persons entitled to receive such SpinCo Shares as record holders of SpinCo Shares in accordance with the terms of the Distribution without requiring any action on the part of such Persons. SpinCo agrees that, subject to any transfers of such shares, from and after the Effective Time, (i) each such holder will be entitled to receive all dividends, if any, payable on, and exercise voting rights and all other rights and privileges with respect to, the SpinCo Shares then held by such holder, and (ii) each such holder will be entitled, without any action on the part of such holder, to receive evidence of ownership of the SpinCo Shares then held by such holder.

# ARTICLE IV MUTUAL RELEASES; INDEMNIFICATION

- 4.1 Release of Pre-Distribution Claims.
- (a) SpinCo Release of Parent. Except as provided in Sections 4.1(c) and 4.1(d), effective as of the Effective Time, SpinCo does hereby, for itself and each other member of the SpinCo Group, and their respective successors and assigns, and, to the extent permitted by Law, all Persons who at any time prior to the Effective Time have been stockholders, directors, officers, agents or employees of any member of the SpinCo Group (in each case, in their respective capacities as such), remise, release and forever discharge (i) Parent and the members of the Parent Group, and their respective successors and assigns, (ii) all Persons who at any time prior to the Effective Time have been stockholders, directors, officers, agents or employees of any member of the Parent Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, and (iii) all Persons who at any time prior to the Effective Time are or have been stockholders, directors, officers, agents or employees of a Transferred Entity and who are not, as of immediately following the Effective Time, directors, officers or employees of SpinCo or a member of the SpinCo Group, in each case from: (A) all SpinCo Liabilities, (B) all Liabilities arising from or in connection with the transactions and all other activities to implement the Separation and the Distribution and (C) all Liabilities arising from or in connection with actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Effective Time (whether or not such Liabilities cease being contingent, mature, become known, are asserted or foreseen, or accrue, in each case before, at or after the Effective Time), in each case to the extent relating to, arising out of or resulting from the SpinCo Business, the SpinCo Assets or the SpinCo Liabilities.
- (b) Parent Release of SpinCo. Except as provided in Sections 4.1(c) and 4.1(d), effective as of the Effective Time, Parent does hereby, for itself and each other member of the Parent Group and their respective successors and assigns, and, to the extent permitted by Law, all Persons who at any time prior to the Effective Time have been stockholders, directors, officers, agents or employees of any member of the Parent Group (in each case, in their respective capacities as such), remise, release and forever discharge (i) SpinCo and the members of the SpinCo Group and their respective successors and assigns, and (ii) all Persons who at any time prior to the Effective Time have been stockholders, directors, officers, agents or employees of any member of the SpinCo Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from (A) all Parent Liabilities, (B) all Liabilities arising from or in connection with the transactions and all other activities to implement the Separation and the Distribution and (C) all Liabilities arising from or in connection with actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to the Effective Time (whether or not such Liabilities cease being contingent, mature, become known, are asserted or foreseen, or accrue, in each case before, at or after the Effective Time), in each case to the extent relating to, arising out of or resulting from the Parent Business, the Parent Assets or the Parent Liabilities.
- (c) Obligations Not Affected. Nothing contained in Section 4.1(a) or 4.1(b) shall impair any right of any Person to enforce this Agreement, any Ancillary Agreement or any

agreements, arrangements, commitments or understandings that are specified in <u>Section 2.7(b)</u> or the applicable Schedules thereto as not to terminate as of the Effective Time, in each case in accordance with its terms. Nothing contained in <u>Section 4.1(a)</u> or 4.1(b) shall release any Person from:

- (i) any Liability provided in or resulting from any agreement among any members of the Parent Group or any members of the SpinCo Group that is specified in Section 2.7(b) or the applicable Schedules thereto as not to terminate as of the Effective Time, or any other Liability specified in Section 2.7(b) as not to terminate as of the Effective Time;
- (ii) any Liability, contingent or otherwise, assumed, transferred, assigned or allocated to the Group of which such Person is a member in accordance with, or any other Liability of any member of any Group under, this Agreement or any Ancillary Agreement;
- (iii) any Liability for the sale, lease, construction or receipt of goods, property or services purchased, obtained or used in the ordinary course of business by a member of one Group from a member of the other Group prior to the Effective Time;
- (iv) any Liability that the Parties may have with respect to indemnification or contribution or other obligation pursuant to this Agreement, any Ancillary Agreement or otherwise for claims brought against the Parties by Third Parties, which Liability shall be governed by the provisions of this <u>Article IV</u> and <u>Article V</u> and, if applicable, the appropriate provisions of the Ancillary Agreements; or
- (v) any Liability the release of which would result in the release of any Person other than a Person released pursuant to this Section 4.1.

In addition, nothing contained in Section 4.1(a) shall release any member of the Parent Group from honoring its existing obligations to indemnify any director, officer or employee of SpinCo who was a director, officer or employee of any member of the Parent Group on or prior to the Effective Time, to the extent such director, officer or employee becomes a named defendant in any Action with respect to which such director, officer or employee was entitled to such indemnification pursuant to such existing obligations; it being understood that, if the underlying obligation giving rise to such Action is a SpinCo Liability, SpinCo shall indemnify Parent for such Liability (including Parent's costs to indemnify the director, officer or employee) in accordance with the provisions set forth in this Article IV.

(d) No Claims. SpinCo shall not make, and shall not permit any other member of the SpinCo Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against Parent or any other member of the Parent Group, or any other Person released pursuant to Section 4.1(a), with respect to any Liabilities released pursuant to Section 4.1(a). Parent shall not make, and shall not permit any other member of the Parent Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against SpinCo or any other member of the SpinCo Group,

or any other Person released pursuant to <u>Section 4.1(b)</u>, with respect to any Liabilities released pursuant to <u>Section 4.1(b)</u>.

- (e) Execution of Further Releases. At any time at or after the Effective Time, at the request of either Party, the other Party shall cause each member of its respective Group to execute and deliver releases reflecting the provisions of this <u>Section 4.1</u>.
- 4.2 <u>Indemnification by SpinCo</u>. Except as otherwise specifically set forth in this Agreement or in any Ancillary Agreement, to the fullest extent permitted by Law, SpinCo shall, and shall cause the other members of the SpinCo Group to, indemnify, defend and hold harmless Parent, each member of the Parent Group and each of their respective past, present and future directors, officers, employees and agents, in each case in their respective capacities as such, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "Parent Indemnitees"), from and against any and all Liabilities of the Parent Indemnitees relating to, arising out of or resulting from, directly or indirectly, any of the following items (without duplication):
  - (a) any SpinCo Liability;
- (b) any failure of SpinCo, any other member of the SpinCo Group or any other Person to pay, perform or otherwise promptly discharge any SpinCo Liabilities in accordance with their terms, whether prior to, on or after the Effective Time;
- (c) any breach by SpinCo or any other member of the SpinCo Group of this Agreement or any of the Ancillary Agreements;
- (d) except to the extent it relates to a Parent Liability, any guarantee, indemnification or contribution obligation, surety bond or other credit support agreement, arrangement, commitment or understanding for the benefit of any member of the SpinCo Group by any member of the Parent Group that survives following the Distribution; and
- (e) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in the Form 10, the Information Statement (as amended or supplemented if SpinCo shall have furnished any amendments or supplements thereto) or any other Disclosure Document, other than the matters described in clause (e) of Section 4.3.
- 4.3 <u>Indemnification by Parent</u>. Except as otherwise specifically set forth in this Agreement or in any Ancillary Agreement, to the fullest extent permitted by Law, Parent shall, and shall cause the other members of the Parent Group to, indemnify, defend and hold harmless SpinCo, each member of the SpinCo Group and each of their respective past, present and future directors, officers, employees or agents, in each case in their respective capacities as such, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "<u>SpinCo Indemnitees</u>"), from and against any and all Liabilities of the SpinCo

Indemnitees relating to, arising out of or resulting from, directly or indirectly, any of the following items (without duplication):

- (a) any Parent Liability;
- (b) any failure of Parent, any other member of the Parent Group or any other Person to pay, perform or otherwise promptly discharge any Parent Liabilities in accordance with their terms, whether prior to, on or after the Effective Time;
- (c) any breach by Parent or any other member of the Parent Group of this Agreement or any of the Ancillary Agreements;
- (d) except to the extent it relates to a SpinCo Liability, any guarantee, indemnification or contribution obligation, surety bond or other credit support agreement, arrangement, commitment or understanding for the benefit of any member of the Parent Group by any member of the SpinCo Group that survives following the Distribution; and
- (e) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to statements made explicitly in Parent's name in the Form 10, the Information Statement (as amended or supplemented if SpinCo shall have furnished any amendments or supplements thereto) or any other Disclosure Document; it being agreed that the statements set forth on Schedule 4.3(e) shall be the only statements made explicitly in Parent's name in the Form 10, the Information Statement or any other Disclosure Document, and all other information contained in the Form 10, the Information Statement or any other Disclosure Document shall be deemed to be information supplied by SpinCo.
  - 4.4 Indemnification Obligations Net of Insurance Proceeds and Other Amounts.
- (a) The Parties intend that any Liability subject to indemnification, contribution or reimbursement pursuant to this <u>Article IV</u> or <u>Article V</u> will be net of Insurance Proceeds or other amounts actually recovered (net of any out-of-pocket costs or expenses incurred in the collection thereof) from any Person by or on behalf of the Indemnitee in respect of any indemnifiable Liability. Accordingly, the amount that either Party (an "<u>Indemnifying Party</u>") is required to pay to any Person entitled to indemnification or contribution hereunder (an "<u>Indemnitee</u>") will be reduced by any Insurance Proceeds or other amounts actually recovered (net of any out-of-pocket costs or expenses incurred in the collection thereof) from any Person by or on behalf of the Indemnitee in respect of the related Liability. If an Indemnitee receives a payment (an "<u>Indemnity Payment</u>") required by this Agreement from an Indemnifying Party in respect of any Liability and subsequently receives Insurance Proceeds or any other amounts in respect of such Liability, then within ten (10) days after receipt of such Insurance Proceeds, the Indemnitee will pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the Insurance Proceeds or such other amounts (net of any out-of-pocket costs or expenses incurred in

the collection thereof) had been received, realized or recovered before the Indemnity Payment was made.

(b) The Parties agree that an insurer that would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto or, solely by virtue of any provision contained in this Agreement or in any Ancillary Agreement, have any subrogation rights with respect thereto, it being understood that no insurer or any other Third Party shall be entitled to a "windfall" (*i.e.*, a benefit they would not be entitled to receive in the absence of the indemnification provisions) by virtue of the indemnification and contribution provisions hereof. Each Party shall, and shall cause the members of its Group to, use commercially reasonable efforts (taking into account the probability of success on the merits and the cost of expending such efforts, including attorneys' fees and expenses) to collect or recover any Insurance Proceeds that may be collectible or recoverable respecting the Liabilities for which indemnification or contribution may be available under this Article IV. Notwithstanding the foregoing, an Indemnifying Party may not delay making any indemnification payment required under the terms of this Agreement, or otherwise satisfying any indemnification obligation, pending the outcome of any Action to collect or recover Insurance Proceeds, and an Indemnitee need not attempt to collect any Insurance Proceeds prior to making a claim for indemnification or contribution or receiving any Indemnity Payment otherwise owed to it under this Agreement or any Ancillary Agreement.

# 4.5 Procedures for Indemnification of Third-Party Claims.

- (a) Notice of Claims. If, at or following the Effective Time, an Indemnitee shall receive notice or otherwise learn of the assertion by a Person (including any Governmental Authority) who is not a member of the Parent Group or the SpinCo Group of any claim or of the commencement by any such Person of any Action (collectively, a "Third-Party Claim") with respect to which an Indemnifying Party may be obligated to provide indemnification to such Indemnitee pursuant to Section 4.2 or 4.3, or any other Section of this Agreement or any Ancillary Agreement, such Indemnitee shall give such Indemnifying Party written notice thereof as soon as practicable, but in any event within fourteen (14) days (or sooner if the nature of the Third-Party Claim so requires) after becoming aware of such Third-Party Claim. Any such notice shall describe the Third-Party Claim in reasonable detail, including the facts and circumstances giving rise to such claim for indemnification, and include copies of all notices and documents (including court papers) received by the Indemnitee relating to the Third-Party Claim. Notwithstanding the foregoing, the failure of an Indemnitee to provide notice in accordance with this Section 4.5(a) shall not relieve an Indemnifying Party of its indemnification obligations under this Agreement, except to the extent to which the Indemnifying Party is materially prejudiced by the Indemnitee's failure to provide notice in accordance with this Section 4.5(a).
- (b) Control of Defense. An Indemnifying Party may elect to defend (and seek to settle or compromise), at its own expense and with its own counsel, any Third-Party Claim; provided that, prior to the Indemnifying Party assuming and controlling the defense of such Third-Party Claim, it shall first confirm to the Indemnitee in writing that, assuming the facts presented to the Indemnifying Party by the Indemnitee are true, the Indemnifying Party shall indemnify the Indemnitee for any such damages to the extent resulting from, or arising out of,

such Third-Party-Claim. Notwithstanding the foregoing, if the Indemnifying Party assumes such defense and, in the course of defending such Third-Party Claim, (i) the Indemnifying Party discovers that the facts presented at the time the Indemnifying Party acknowledged its indemnification obligation in respect of such Third-Party Claim were not true in all material respects and (ii) such untruth provides a reasonable basis for asserting that the Indemnifying Party does not have an indemnification obligation in respect of such Third-Party Claim, then (A) the Indemnifying Party shall not be bound by such acknowledgment, (B) the Indemnifying Party shall promptly thereafter provide the Indemnitee written notice of its assertion that it does not have an indemnification obligation in respect of such Third-Party Claim and (C) the Indemnitee shall have the right to assume the defense of such Third-Party Claim. Within thirty (30) days after the receipt of a notice from an Indemnitee in accordance with Section 4.5(a) (or sooner, if the nature of the Third-Party Claim so requires), the Indemnifying Party shall provide written notice to the Indemnitee indicating whether the Indemnifying Party shall assume responsibility for defending any Third-Party Claim. If an Indemnitee of its election within thirty (30) days after receipt of the notice from an Indemnitee as provided in Section 4.5(a), then the Indemnitee that is the subject of such Third-Party Claim shall be entitled to continue to conduct and control the defense of such Third-Party Claim.

- (c) Allocation of Defense Costs. If an Indemnifying Party has elected to assume the defense of a Third-Party Claim, then such Indemnifying Party shall be solely liable for all fees and expenses incurred by it in connection with the defense of such Third-Party Claim and shall not be entitled to seek any indemnification or reimbursement from the Indemnitee for any such fees or expenses incurred by the Indemnifying Party during the course of the defense of such Third-Party Claim by such Indemnifying Party, regardless of any subsequent decision by the Indemnifying Party to reject or otherwise abandon its assumption of such defense. If an Indemnifying Party elects not to assume responsibility for defending any Third-Party Claim or fails to notify an Indemnitee of its election within thirty (30) days after receipt of a notice from an Indemnitee as provided in Section 4.5(a), and the Indemnification obligation with respect to such Third-Party Claim, then the Indemnifying Party shall be liable for all reasonable, documented fees and expenses incurred by the Indemnitee in connection with the defense of such Third-Party Claim.
- (d) Right to Monitor and Participate. An Indemnitee that does not conduct and control the defense of any Third-Party Claim, or an Indemnifying Party that does not elect to defend any Third-Party Claim as contemplated hereby, nevertheless shall have the right to employ separate counsel (including local counsel as necessary) of its own choosing to monitor and participate in (but not control) the defense of any Third-Party Claim for which it is a potential Indemnitee or Indemnifying Party, as applicable, but the fees and expenses of such counsel shall be at the expense of such Indemnitee or Indemnifying Party, as the case may be, and the provisions of Section 4.5(c) shall not apply to such fees and expenses. Notwithstanding the foregoing, but subject to Sections 6.7 and 6.8, such Party shall cooperate with the Party entitled to conduct and control the defense of such Third-Party Claim in such defense and make available to the controlling Party, at the non-controlling Party's expense, all witnesses,

information and materials in such Party's possession or under such Party's control relating thereto as are reasonably required by the controlling Party. In addition to the foregoing, if any Indemnitee reasonably determines in good faith that such Indemnitee and the Indemnifying Party have actual or potential differing defenses or conflicts of interest between them that make joint representation inappropriate, then the Indemnitee shall have the right to employ separate counsel (including local counsel) and to participate in (but not control) the defense, compromise, or settlement thereof, and in such case the Indemnifying Party shall bear the reasonable, documented fees and expenses of such counsel for all Indemnitees.

(e) No Settlement. Neither Party may settle or compromise any Third-Party Claim for which either Party is seeking to be indemnified hereunder without the prior written consent of the other Party, which consent may not be unreasonably withheld, unless such settlement or compromise is solely for monetary damages that are fully payable by the settling or compromising Party, does not involve any admission, finding or determination of wrongdoing or violation of Law by the other Party and provides for a full, unconditional and irrevocable release of the other Party from all Liability in connection with the Third-Party Claim. The Parties hereby agree that if a Party delivers the other Party a written notice containing a proposal to settle or compromise a Third-Party Claim for which either Party is seeking to be indemnified hereunder and the Party receiving such proposal does not respond in any manner to the Party presenting such proposal within ten (10) business days (or within any such shorter time period that may be required by applicable Law or court order) after receipt of such proposal, then the Party receiving such proposal shall be deemed to have consented to the terms of such proposal.

#### 4.6 Additional Matters.

- (a) Timing of Payments. Indemnification or contribution payments in respect of any Liabilities for which an Indemnitee is entitled to indemnification or contribution under this Article IV shall be paid reasonably promptly (but in any event within forty-five (45) days after the final determination of the amount that the Indemnitee is entitled to indemnification or contribution under this Article IV) by the Indemnifying Party to the Indemnitee as such Liabilities are incurred upon demand by the Indemnitee, including reasonably satisfactory documentation setting forth the basis for the amount of such indemnification or contribution payment, including documentation with respect to calculations made and consideration of any Insurance Proceeds that actually reduce the amount of such Liabilities. The indemnity and contribution provisions contained in this Article IV shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Indemnitee, and (ii) the knowledge by the Indemnitee of Liabilities for which it might be entitled to indemnification hereunder.
- (b) Notice of Direct Claims. Any claim for indemnification or contribution under this Agreement or any Ancillary Agreement that does not result from a Third-Party Claim shall be asserted by written notice given by the Indemnitee to the applicable Indemnifying Party; provided that the failure by an Indemnitee to so assert any such claim shall not prejudice the ability of the Indemnitee to do so at a later time, except to the extent (if any) that the Indemnifying Party is materially prejudiced thereby. Such Indemnifying Party shall have a period of thirty (30) days after the receipt of such notice within which to respond thereto. If such

Indemnifying Party does not respond within such thirty (30)-day period, such specified claim shall be conclusively deemed a Liability of the Indemnifying Party under this Section 4.6(b) or, in the case of any written notice in which the amount of the claim (or any portion thereof) is estimated, on such later date when the amount of the claim (or such portion thereof) becomes finally determined. If such Indemnifying Party does not respond within such thirty (30)-day period or rejects such claim in whole or in part, such Indemnitee shall, subject to the provisions of Article VII, be free to pursue such remedies as may be available to such party as contemplated by this Agreement and the Ancillary Agreements, as applicable, without prejudice to its continuing rights to pursue indemnification or contribution hereunder.

- (c) Pursuit of Claims Against Third Parties. If (i) a Party incurs any Liability arising out of this Agreement or any Ancillary Agreement, (ii) an adequate legal or equitable remedy is not available for any reason against the other Party to satisfy the Liability incurred by the incurring Party and (iii) a legal or equitable remedy may be available to the other Party against a Third Party for such Liability, then the other Party shall use commercially reasonable efforts to cooperate with the incurring Party, at the incurring Party's expense, to permit the incurring Party to obtain the benefits of such legal or equitable remedy against the Third Party.
- (d) *Subrogation*. In the event of payment by or on behalf of any Indemnifying Party to any Indemnitee in connection with any Third-Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee as to any events or circumstances in respect of which such Indemnitee may have any right, defense or claim relating to such Third-Party Claim against any claimant or plaintiff asserting such Third-Party Claim or against any other Person. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.
- (e) Substitution. In the event of an Action in which the Indemnifying Party is not a named defendant, if either the Indemnitee or Indemnifying Party shall so request, the Parties shall endeavor to substitute the Indemnifying Party for the named defendant. If such substitution or addition cannot be achieved for any reason or is not requested, the named defendant shall allow the Indemnifying Party to manage the Action as set forth in Section 4.5 and this Section 4.6, and the Indemnifying Party shall fully indemnify the named defendant against all reasonable costs of defending the Action (including court costs, sanctions imposed by a court, attorneys' fees, experts fees and all other external expenses), the costs of any judgment or settlement and the cost of any interest or penalties relating to any judgment or settlement.
- (f) Tax Matters Agreement Coordination. The above provisions of this Section 4.6 and the provisions of Section 4.2 through Section 4.10 (other than this Section 4.6(f)) shall not apply to Taxes and Tax matters. It is understood and agreed that Taxes and Tax matters, including the control of Tax-related proceedings, shall be governed by the Tax Matters Agreement. In the case of any conflict or inconsistency between this Agreement and the Tax Matters Agreement in relation to any matters addressed by the Tax Matters Agreement, the Tax Matters Agreement shall prevail.

# 4.7 Right of Contribution.

- (a) Contribution. If any right of indemnification contained in Section 4.2 or Section 4.3 is held unenforceable or is unavailable for any reason, or is insufficient to hold harmless an Indemnitee in respect of any Liability for which such Indemnitee is entitled to indemnification hereunder, then the Indemnifying Party shall contribute to the amounts paid or payable by the Indemnitees as a result of such Liability (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and the members of its Group, on the one hand, and the Indemnitees entitled to contribution, on the other hand, as well as any other relevant equitable considerations.
- (b) Allocation of Relative Fault. Solely for purposes of determining relative fault pursuant to this Section 4.7: (i) any fault associated with the business conducted with the Delayed SpinCo Assets or Delayed SpinCo Liabilities (except for the gross negligence or intentional misconduct of a member of the Parent Group) or with the ownership, operation or activities of the SpinCo Business prior to the Effective Time shall be deemed to be the fault of SpinCo and the other members of the SpinCo Group, and no such fault shall be deemed to be the fault of Parent or any other member of the Parent Group; (ii) any fault associated with the business conducted with Delayed Parent Assets or Delayed Parent Liabilities (except for the gross negligence or intentional misconduct of a member of the SpinCo Group) shall be deemed to be the fault of Parent and the other members of the Parent Group, and no such fault shall be deemed to be the fault of SpinCo or any other member of the SpinCo Group; and (iii) any fault associated with the ownership, operation or activities of the Parent Business prior to the Effective Time shall be deemed to be the fault of Parent and the other members of the Parent Group, and no such fault shall be deemed to be the fault of SpinCo or any other members of the SpinCo Group.
- 4.8 <u>Covenant Not to Sue</u>. Each Party hereby covenants and agrees that none of it, the members of such Party's Group or any Person claiming through it shall bring suit or otherwise assert any claim against any Indemnitee, or assert a defense against any claim asserted by any Indemnitee, before any court, arbitrator, mediator or administrative agency anywhere in the world, alleging that: (a) the assumption of any SpinCo Liabilities by SpinCo or a member of the SpinCo Group on the terms and conditions set forth in this Agreement and the Ancillary Agreements is void or unenforceable for any reason; (b) the retention of any Parent Liabilities by Parent or a member of the Parent Group on the terms and conditions set forth in this Agreement and the Ancillary Agreements is void or unenforceable for any reason; or (c) the provisions of this <u>Article IV</u> are void or unenforceable for any reason.
- 4.9 <u>Remedies Cumulative</u>. The remedies provided in this <u>Article IV</u> shall be cumulative and, subject to the provisions of <u>Article VIII</u>, shall not preclude assertion by any Indemnitee of any other rights or the seeking of any and all other remedies against any Indemnifying Party.
- 4.10 <u>Survival of Indemnities</u>. The rights and obligations of each of Parent and SpinCo and their respective Indemnitees under this <u>Article IV</u> shall survive (a) the sale or other transfer by either Party or any member of its Group of any assets or businesses or the assignment by it of any Liabilities or (b) any merger, consolidation, business combination, sale of all or

substantially all of its Assets, restructuring, recapitalization, reorganization or similar transaction involving either Party or any of the members of its Group.

# ARTICLE V CERTAIN OTHER MATTERS

#### 5.1 Insurance Matters.

- (a) Subject to the terms and conditions of this Agreement, Parent and SpinCo agree to cooperate in good faith to attempt to implement an orderly transition of applicable insurance coverage from the date hereof through the Effective Time. In no event shall Parent or any other member of the Parent Group or any Parent Indemnitee have any Liability or obligation whatsoever to any member of the SpinCo Group in the event that any Policy or other Policy-related contract shall be terminated or otherwise cease to be in effect for any reason, shall be unavailable or inadequate to cover any Liability of any member of the SpinCo Group for any reason whatsoever or shall not be renewed or extended beyond the current expiration date.
- (b) From and after the Effective Time, with respect to any losses, damages and Liability incurred by any member of the SpinCo Group prior to the Effective Time that constitutes a SpinCo Liability, at the request of SpinCo, Parent will use commercially reasonable efforts to pursue claims, at SpinCo's sole cost and expense (to the extent not otherwise covered by such insurance policies then in effect prior to the Effective date), on behalf of the applicable member of the SpinCo Group under (with such member of the SpinCo Group entitled to all Insurance Proceeds resulting from or arising out of any such claims) Policies of Parent or any other member of the Parent Group in place immediately prior to the Effective Time (and any extended reporting periods for claims-made Policies of Parent or any other member of the Parent Group) and historical Policies of Parent or any other member of the Parent Group (such Policies, collectively, the "Parent Policies"), but solely to the extent that such Parent Policies provided coverage for the applicable member of the SpinCo Group prior to the Effective Time; provided that such obligation of Parent to make claims on behalf of the applicable member of the SpinCo Group under such Parent Policies shall be subject to the terms and conditions of such Parent Policies, including any limits on coverage or scope, any deductibles, self-insured retentions and other fees and expenses, and shall be subject to the following additional conditions:
  - (i) SpinCo shall provide written notification to Parent of any request for Parent to pursue a claim on behalf of the applicable member of the SpinCo Group pursuant to this Section 5.1(b), and Parent shall use commercially reasonable efforts to pursue such claim, at SpinCo's sole cost and expense (to the extent not otherwise covered by such insurance policies then in effect prior to the Effective date), as promptly as is reasonably practicable;
  - (ii) SpinCo and the other members of the SpinCo Group shall indemnify, hold harmless and reimburse Parent and the other members of the Parent Group for any deductibles, self-insured retention, retrospective premium payments, indemnity payments, settlements, judgments, legal fees, allocated claims expenses, claim handling fees and expenses, and other expenses incurred by Parent or any other member of the Parent Group to the extent resulting from any pursuit of any claims on behalf of SpinCo or any other members of the SpinCo Group, whether such claims are pursued on

behalf of SpinCo or any other members of the SpinCo Group, employees of SpinCo or any other members of the SpinCo Group, or Third Parties;

- (iii) SpinCo shall, and shall cause the other members of the SpinCo Group to, cooperate with and assist Parent and the other members of the Parent Group and share such Information as is reasonably necessary in order to permit Parent and the other members of the Parent Group to manage and conduct the insurance matters contemplated by this <u>Section 5.1</u>; and
- SpinCo shall exclusively bear (and neither Parent nor any other member of the Parent Group shall have any obligation to repay or reimburse SpinCo or any other member of the SpinCo Group for) and shall be liable for all excluded, uninsured, uncovered, unavailable or uncollectible amounts of all such claims pursued on behalf of SpinCo or any other member of the SpinCo Group under the Parent Policies as provided for in this Section 5.1(b). In the event a Parent Policy aggregate is exhausted, or believed likely to be exhausted, due to noticed claims, the SpinCo Group, on the one hand, and the Parent Group, on the other hand, shall be responsible for their pro rata portion of the reinstatement premium, if any, based upon the losses of such Group submitted to Parent's insurance carrier(s) (including any submissions prior to the Effective Time). To the extent that the SpinCo Group or the Parent Group is allocated more than its pro rata portion of such premium due to the timing of losses submitted to Parent's insurance carrier(s), the other party shall promptly pay the first party an amount so that each Group has been properly allocated its pro rata portion of the reinstatement premium. Subject to the following sentence, Parent may elect not to reinstate the Parent Policy aggregate. In the event that Parent elects not to reinstate the Parent Policy aggregate, it shall provide prompt written notice to SpinCo, and SpinCo may direct Parent in writing to, and Parent shall, in such case reinstate the Parent Policy aggregate; provided that SpinCo shall be responsible for all reinstatement premiums and other costs associated with such reinstatement.

In the event that any member of the Parent Group incurs any losses, damages or Liability prior to or in respect of the period prior to the Effective Time for which such member of the Parent Group is entitled to coverage under the Policies of SpinCo or any other member of the SpinCo Group, the same process pursuant to this <u>Section 5.1(b)</u> shall apply, substituting "Parent" for "SpinCo" and "SpinCo" for "Parent", as applicable.

- (c) Except as provided in <u>Section 5.1(b)</u>, from and after the Effective Time, neither SpinCo nor any member of the SpinCo Group shall have any rights to or under any of the Parent Policies. At the Effective Time, SpinCo shall have in effect all insurance programs required to comply with the contractual obligations of SpinCo and the SpinCo Group and such other Policies required by Law or as reasonably necessary or appropriate for companies operating a business similar to SpinCo's.
- (d) In connection with Parent's pursuit of a claim on behalf of SpinCo or any other member of the SpinCo Group under any Parent Policy pursuant to this <u>Section 5.1</u>, Parent shall not be required to take any action that would be reasonably likely to: (i) have an adverse impact on the then-current relationship between Parent or any member of the Parent Group, on

the one hand, and the applicable insurance company, on the other hand; (ii) result in the applicable insurance company terminating or reducing coverage, or increasing the amount of any premium owed by Parent or any other member of the Parent Group under the applicable Parent Policy; or (iii) otherwise compromise, jeopardize or interfere with the rights of Parent or any other member of the Parent Group under the applicable Parent Policy.

- (e) All payments and reimbursements by SpinCo pursuant to this Section 5.1 shall be made within thirty (30) days after SpinCo's receipt of an invoice therefor from Parent. If Parent incurs costs to enforce SpinCo's obligations herein, SpinCo agrees to indemnify and hold harmless Parent for such enforcement costs, including reasonable attorneys' fees pursuant to Section 4.6. Parent shall retain the exclusive right to control the Parent Policies and the insurance programs of Parent or any other member of the Parent Group, including the right to exhaust, settle, release, commute, buy back or otherwise resolve disputes with respect to any such Parent Policies and programs, notwithstanding whether any such Parent Policies or programs apply to any SpinCo Liabilities and/or claims SpinCo has made or could make in the future, and no member of the SpinCo Group shall erode, exhaust, settle, release, commute, buy back or otherwise resolve disputes with insurers of Parent or any other member of the Parent Group, or amend, modify or waive any rights under any such Parent Policies and programs. No member of the Parent Group shall have any obligation to secure extended reporting for any claims under any Parent Policy for any acts or omissions of any member of the SpinCo Group incurred prior to the Effective Time.
- (f) This Agreement shall not be considered as an attempted assignment of any Policy or other Policy-related contract and shall not be construed to waive any right or remedy of any member of the Parent Group in respect of any Policy or other Policy-related contract.
- (g) SpinCo does hereby, for itself and each other member of the SpinCo Group, agree that no member of the Parent Group shall have any Liability whatsoever as a result of the Parent Policies or the insurance practices of Parent or any other member of the Parent Group as in effect at any time, including as a result of the level or scope of any insurance, the creditworthiness of any insurance carrier, the terms and conditions of any policy, or the adequacy or timeliness of any notice to any insurance carrier with respect to any claim or potential claim or otherwise.
- 5.2 <u>Late Payments</u>. Except as expressly provided to the contrary in this Agreement or in any Ancillary Agreement, any amount not paid when due pursuant to this Agreement or any Ancillary Agreement (and any amounts billed or otherwise invoiced or demanded and properly payable that are not paid within thirty (30) days after receipt of such bill, invoice or other demand) shall accrue interest at a rate per annum equal to the Prime Rate plus two percent (2%).
- 5.3 <u>Inducement</u>. SpinCo acknowledges and agrees that Parent's willingness to cause, effect and consummate the Separation and the Distribution has been conditioned upon and induced by SpinCo's covenants and agreements in this Agreement and the Ancillary Agreements, including SpinCo's assumption of the SpinCo Liabilities pursuant to the Separation

and the provisions of this Agreement and SpinCo's covenants and agreements contained in Article IV.

5.4 <u>Post-Effective Time Conduct</u>. The Parties acknowledge that, after the Effective Time, each Party shall be independent of the other Party, with responsibility for its own actions and inactions and its own Liabilities relating to, arising out of or resulting from the conduct of its business, operations and activities following the Effective Time, except as may otherwise be provided in any Ancillary Agreement, and each Party shall (except as otherwise provided in <u>Article IV</u>) use commercially reasonable efforts to prevent such Liabilities from being inappropriately borne by the other Party.

#### 5.5 Use of Parent Names.

- (a) Except as expressly provided in this <u>Section 5.5</u>, SpinCo agrees that neither SpinCo nor any other member of the SpinCo Group shall use, or have or acquire the right to use or any other rights in, the Parent Names.
- (b) As soon as reasonably practicable after the Effective Time, SpinCo shall cause any member of the SpinCo Group having a name, trademark, service mark or logo that includes the Parent Names ("Corporate Names") to change its name to a name that does not include any Parent Name, including making any legal filings necessary to effect such change. In any event within sixty (60) days after the Effective Time, SpinCo shall file at the applicable local registry all documentation required to effect a name change.
- (c) Except as provided in Section 5.5(b) with respect to the change of Corporate Names, the SpinCo Group may continue temporarily to use the Parent Names following the Effective Time, to the extent and in substantially the same manner as used immediately prior to Effective Time, so long as SpinCo shall, and shall cause it's other members of the SpinCo Group to, (i) immediately after the Effective Time, cease to hold itself out as having any affiliation with the Parent Group and (ii) use reasonable best efforts to minimize and eliminate use of the Parent Names by the SpinCo Group as soon as practicable; provided, that as soon as practicable after the Effective Time (and in any event within six (6) months thereafter), SpinCo shall, and shall cause it's the other members of the SpinCo Group to (i) cease and discontinue use of all Parent Names and (ii) complete the removal of the Parent Names from all products, services, platforms, websites, signage, vehicles, properties, technical information, stationery and promotional or other marketing materials and other assets.
- (d) Any use of the Parent Names authorized in this <u>Section 5.5</u> shall be subject to (x) compliance with the Parent Group's reasonable quality control requirements and guidelines in effect for the Parent Names and (y) to the extent practicable, the placement of a reasonably appropriate disclaimer on any materials bearing the Parent Names (including stationery, business cards, signage, advertising materials, inventory, packaging, product, service and training literature, and other similar materials) identifying in a readily observable manner that the members of the SpinCo Group are no longer Affiliates of the Parent Group. Any and all goodwill arising from the use of the Parent Names as described in this <u>Section 5.5</u> shall inure to the sole and exclusive benefit of the Parent Group.

(e) Notwithstanding the foregoing, nothing in this <u>Section 5.5</u> shall preclude either Group from making any reference to the Marks of the other Group in internal historical, tax, employment or similar records or for purposes of disclosures as are reasonably necessary and appropriate to describe the historical relationship of the Parties.

#### 5.6 Non-Competition.

- (a) Non-Competition. Each Party covenants and agrees that, from the Effective Time until the second (2nd) anniversary of the Distribution Date (the "Non-Compete Period"), neither Party will, and will cause each other member of its respective Group not to, directly or indirectly, own, invest in, operate, manage, control, participate or engage in any Prohibited Business (as applicable) without the prior written consent of the other Party; provided, that nothing in this Section 5.6(a) will prohibit (i) the ownership by Parent or SpinCo, as the case may be, or any member of its respective Group, of debt, equity or any other class of securities of any Person that owns, invests in, operates, manages, controls, participates or engages directly or indirectly in a Prohibited Business (as applicable), provided ownership of such securities (either directly, indirectly or upon conversion) is less than 5% of such class of securities of such Person or (ii) exercising its rights or performing or complying with its obligations under this Agreement or any Ancillary Agreement. Notwithstanding the foregoing, in the event that a merger, acquisition, consolidation or other business combination with or from an affiliated Person that directly or indirectly owns, invests in, operates, manages, controls, participates or engages in a Prohibited Business (so long as such Prohibited Business represents less than 40% of such Person's consolidated assets or revenue) results in Parent or SpinCo, as the case may be, directly or indirectly owning, investing in, operating, managing, controlling, participating or engaging in a Prohibited Business in breach of this Section 5.6(a) at the time of such transaction, such transaction (and resulting operations of such business) shall not be deemed a breach of this Section 5.6(a) if such party uses commercially reasonable efforts to cure such breach as promptly as practicable (by divestiture or otherwise).
- (b) Remedies; Enforcement. Each Party acknowledges and agrees that (i) injury to the other Party from any breach of the obligations of such party set forth in this Section 5.6 would be irreparable and impossible to measure and (ii) the remedies at law for any breach or threatened breach of this Section 5.6, including monetary damages, would therefore be inadequate compensation for any loss and the other Party shall have the right to specific performance and injunctive or other equitable relief in accordance with Section 10.13, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. Each Party understands and acknowledges that the restrictive covenants and other agreements contained in this Section 5.6 are an essential part of this Agreement and the transactions contemplated hereby. It is the intent of the Parties that the provisions of this Section 5.6 shall be enforced to the fullest extent permissible under applicable Law applied in each jurisdiction in which enforcement is sought. If any particular provision or portion of this Section 5.6 shall be adjudicated to be invalid or unenforceable, such provision or portion thereof shall be deemed amended to the minimum extent necessary to render such provision or portion valid and enforceable, such amendment to apply only with respect to the operation of such provision or portion thereof in the particular jurisdiction in which such adjudication is made.

#### ARTICLE VI EXCHANGE OF INFORMATION; CONFIDENTIALITY

- 6.1 Agreement for Exchange of Information.
- (a) Subject to Section 6.9 and any other applicable confidentiality obligations, each of Parent and SpinCo, on behalf of itself and each member of its Group, agrees to use commercially reasonable efforts to provide or make available, or cause to be provided or made available, to the other Party and the members of such other Party's Group, at any time before, on or after the Effective Time, as soon as reasonably practicable after written request therefor, any information (or a copy thereof) in the possession or under the control of such Party or its Group that the requesting Party or its Group requests and, with respect to clause (iii), access to the facilities, systems, infrastructure and personnel of such Party or its Group, in each case to the extent that (i) such information relates to the SpinCo Business, or any SpinCo Asset or SpinCo Liability, if SpinCo is the requesting Party, or to the Parent Business, or any Parent Asset or Parent Liability, if Parent is the requesting Party, (ii) such information is required by the requesting Party to comply with its obligations under this Agreement or any Ancillary Agreement or (iii) such information is required by the requesting Party to comply with any laws or regulations or stock exchange rules or obligations imposed by any Governmental Authority, including, without limitation, the obligation to verify the accuracy of internal controls over information technology reporting of financial data and related processes employed in connection with verifying compliance with Section 404 of the Sarbanes-Oxley Act of 2002; provided, however, that, in the event that the Party to whom the request has been made determines that any such provision of information could be detrimental to the Party providing the information, violate any Law or agreement, or waive any privilege available under applicable Law, including any attorney-client privilege, then the Parties shall use commercially reasonable efforts to permit compliance with such obligations to the extent and in a manner that avoids any such harm or consequence. The Party providing information pursuant to this Section 6.1 shall only be obligated to provide such information in the form, condition and format in which it then exists, and in no event shall such Party be required to perform any improvement, modification, conversion, updating or reformatting of any such information, and nothing in this Section 6.1 shall expand the obligations of any Party under Section 6.4. Each Party shall cause its and its Subsidiaries' employees to, and shall use commercially reasonable efforts to cause its Representatives' employees to, when on the property of any Party or its Subsidiaries, or when given access to any facilities, systems, infrastructure or personnel of the other Party or any members of its Group, conform to the policies and procedures of such Party and its Group concerning health, safety, conduct and security that are made known or provided to the accessing Party from time to time.
- (b) Without limiting the generality of the foregoing, until the end of Parent's fiscal year during which the Distribution Date occurs (and for a reasonable period of time afterwards as required for each Party to prepare consolidated financial statements or complete a financial statement audit for the fiscal year during which the Distribution Date occurs), each Party shall use commercially reasonable efforts to cooperate with the other Party's information requests to enable (i) the other Party to meet its timetable for dissemination of its earnings releases, financial statements and management's assessment of the effectiveness of its disclosure

controls and procedures and its internal control over financial reporting in accordance with Items 307 and 308, respectively, of Regulation S-K promulgated under the Exchange Act and (ii) the other Party's accountants to timely complete their review of the quarterly financial statements and audit of the annual financial statements, including, to the extent applicable to such Party, its auditor's audit of its internal control over financial reporting and management's assessment thereof in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, the SEC's and Public Company Accounting Oversight Board's rules and auditing standards thereunder and any other applicable Laws.

- (c) Subject to any limitation imposed by applicable Law and to the extent that it has not done so before the Effective Time, Parent shall transfer to SpinCo any employment records (including any Form I-9, Form W-2 or other IRS forms) with respect to SpinCo Group Employees and Former SpinCo Group Employees and other records reasonably required by SpinCo to enable SpinCo to properly carry out its obligations under this Agreement. Such transfer of records generally shall occur as soon as administratively practicable at or after the Effective Time. Each Party shall permit the other Party reasonable access to its employee records, to the extent reasonably necessary for such accessing Party to carry out its obligations hereunder.
- 6.2 <u>Ownership of Information</u>. The provision of any information pursuant to <u>Section 6.1</u> or <u>Section 6.7</u> shall not affect the ownership of such information (which shall be determined solely in accordance with the terms of this Agreement and the Ancillary Agreements), or constitute a grant of rights in or to any such information.
- 6.3 Compensation for Providing Information. The Party requesting information after the Effective Time agrees to reimburse the other Party for the reasonable costs, if any, of creating, gathering, copying, transporting and otherwise complying with the request with respect to such information (including any reasonable costs and expenses incurred in any review of information for purposes of protecting the Privileged Information of the providing Party or in connection with the restoration of backup media for purposes of providing the requested information). Except as may be otherwise specifically provided elsewhere in this Agreement, any Ancillary Agreement or any other agreement between the Parties, such costs shall be computed in accordance with the providing Party's standard methodology and procedures.

#### 6.4 Record Retention.

(a) To facilitate the possible exchange of information pursuant to this <u>Article VI</u> and other provisions of this Agreement after the Effective Time, the Parties agree to use commercially reasonable efforts, which shall be no less rigorous than those used for retention of such Party's own information, to retain all information in their respective possession or control at the Effective Time, including all Employee-related information, in accordance with the policies of Parent as in effect at the Effective Time or such other policies as may be adopted by Parent after the Effective Time (<u>provided</u>, in the case of SpinCo, that Parent notifies SpinCo of any such change). Notwithstanding the foregoing, Section 9.01 of the Tax Matters Agreement will govern the retention of Tax-related records, and Section 7.02(a) of the Employee Matters Agreement will govern the retention of employment- and benefits-related records.

- (b) Each Party shall preserve and keep all documents subject to a litigation hold as of the date of this Agreement until such Party has been notified that such litigation hold is no longer applicable.
- 6.5 <u>Limitations of Liability</u>. Neither Party shall have any Liability to the other Party in the event that any information exchanged or provided pursuant to this Agreement is found to be inaccurate in the absence of gross negligence, bad faith or willful misconduct by the Party providing such information. Neither Party shall have any Liability to any other Party if any information is destroyed after commercially reasonable efforts by such Party to comply with the provisions of <u>Section 6.4</u>.
  - 6.6 Other Agreements Providing for Exchange of Information.
- (a) The rights and obligations granted under this <u>Article VI</u> are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange, retention or confidential treatment of information set forth in any Ancillary Agreement.
- (b) Any Party that receives, pursuant to a request for information in accordance with this <u>Article VI</u>, Tangible Information that is not relevant to its request shall, at the request of the providing Party, (i) return it to the providing Party or, at the providing Party's request, destroy such Tangible Information and (ii) deliver to the providing Party written confirmation that such Tangible Information was returned or destroyed, as the case may be, which confirmation shall be signed by an authorized representative of the requesting Party.
  - 6.7 <u>Production of Witnesses; Records; Cooperation.</u>
- (a) After the Effective Time, except in the case of a Dispute between Parent and SpinCo, or any members of their respective Groups, each Party shall use commercially reasonable efforts to make available to the other Party, upon written request, the former, current and future directors, officers, employees, other personnel and agents of the members of its respective Group as witnesses and any books, records or other documents within its control or which it otherwise has the ability to make available without undue burden, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with any Action in which the requesting Party (or member of its Group) may from time to time be involved, regardless of whether such Action is a matter with respect to which indemnification may be sought hereunder. The requesting Party shall bear all costs and expenses in connection therewith.
- (b) If an Indemnifying Party chooses to defend or to seek to compromise or settle any Third-Party Claim, the other Party shall make available to such Indemnifying Party, upon written request, the former, current and future directors, officers, employees, other personnel and agents of the members of its respective Group as witnesses and any books, records or other documents within its control or which it otherwise has the ability to make available without undue burden, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with such defense, settlement or

compromise, or such prosecution, evaluation or pursuit, as the case may be, and shall otherwise cooperate in such defense, settlement or compromise, or such prosecution, evaluation or pursuit, as the case may be.

- (c) Without limiting the foregoing, the Parties shall cooperate and consult to the extent reasonably necessary with respect to any Actions.
- (d) Without limiting any provision of this <u>Section 6.7</u>, each of the Parties agrees to cooperate, and to cause each member of its respective Group to cooperate, with each other in the defense of any infringement or similar claim with respect to any Intellectual Property Rights and shall not claim to acknowledge, or permit any member of its respective Group to claim to acknowledge, the validity or infringing use of any Intellectual Property Rights of a Third Party in a manner that would hamper or undermine the defense of such infringement or similar claim.
- (e) The obligation of the Parties to provide witnesses pursuant to this <u>Section 6.7</u> is intended to be interpreted in a manner so as to facilitate cooperation and shall include the obligation to provide as witnesses directors, officers, employees, other personnel and agents without regard to whether such person or the employer of such person could assert a possible business conflict (subject to the exception set forth in the first sentence of Section 6.7(a)).
- (f) Without limiting any provision of this Section 6.7, each Party shall use commercially reasonable efforts to cooperate and work together to unify, consolidate and share (to the extent permissible under applicable privacy/data protection Laws) all relevant documents, resolutions, government filings, data, payroll, employment and benefit plan information on regular timetables and cooperate as needed with respect to (i) any claims under or audit of or litigation with respect to any employee benefit plan, policy or arrangement contemplated by this Agreement, (ii) efforts to seek a determination letter, private letter ruling or advisory opinion from the IRS or U.S. Department of Labor on behalf of any employee benefit plan, policy or arrangement contemplated by this Agreement, (iii) any filings that are required to be made or supplemented to the IRS, U.S. Pension Benefit Guaranty Corporation, U.S. Department of Labor or any other Governmental Authority, and (iv) any audits by a Governmental Authority or corrective actions, relating to any Benefit Plan, labor or payroll practices; provided, however, that requests for cooperation must be reasonable and not interfere with daily business operations.

#### 6.8 Privileged Matters.

(a) The Parties recognize that legal and other professional services that have been and will be provided prior to the Effective Time have been and will be rendered for the collective benefit of each of the members of the Parent Group and the SpinCo Group, and that each of the members of the Parent Group and the SpinCo Group should be deemed to be the client with respect to such services for the purposes of asserting all privileges that may be asserted under applicable Law in connection therewith. The Parties recognize that legal and other professional services will be provided following the Effective Time, which services will be rendered solely for the benefit of the Parent Group or the SpinCo Group, as the case may be. In furtherance of the foregoing, each Party shall authorize the delivery to and/or retention by the

other Party of materials existing as of the Effective Time that are necessary for such other Party to perform such services.

#### (b) The Parties agree as follows:

- (i) Parent shall be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to the Parent Business and not to the SpinCo Business, whether or not the Privileged Information is in the possession or under the control of any member of the Parent Group or any member of the SpinCo Group. Parent shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to any Parent Liabilities resulting from any Actions that are now pending or may be asserted in the future, whether or not the Privileged Information is in the possession or under the control of any member of the Parent Group or any member of the SpinCo Group.
- (ii) SpinCo shall be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to the SpinCo Business and not to the Parent Business, whether or not the Privileged Information is in the possession or under the control of any member of the SpinCo Group or any member of the Parent Group. SpinCo shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to any SpinCo Liabilities resulting from any Actions that are now pending or may be asserted in the future, whether or not the Privileged Information is in the possession or under the control of any member of the SpinCo Group or any member of the Parent Group.
- (iii) If the Parties do not agree as to whether certain information is Privileged Information, then such information shall be treated as Privileged Information, and the Party that believes that such information is Privileged Information shall be entitled to control the assertion or waiver of all privileges and immunities in connection with any such information, unless the Parties otherwise agree. The Parties shall use the procedures set forth in <u>Article VII</u> to resolve any disputes as to whether any information relates solely to the Parent Business, solely to the SpinCo Business, or to both the Parent Business and the SpinCo Business.
- (c) Subject to the remaining provisions of this Section 6.8, the Parties agree that they shall have a shared privilege or immunity with respect to all privileges and immunities not allocated pursuant to Section 6.8(b) and all privileges and immunities relating to any Actions or other matters that involve both Parties (or one (1) or more members of their respective Groups) and in respect of which both Parties have Liabilities under this Agreement, and that no such shared privilege or immunity may be waived by either Party without the consent of the other Party.
- (d) If any Dispute arises between the Parties or any members of their respective Groups regarding whether a privilege or immunity should be waived to protect or advance the interests of either Party and/or any member of their respective Groups, each Party

agrees that it shall (i) negotiate with the other Party in good faith, (ii) endeavor to minimize any prejudice to the rights of the other Party and (iii) not unreasonably withhold consent to any request for waiver by the other Party. Further, each Party specifically agrees that it shall not withhold its consent to the waiver of a privilege or immunity for any purpose, except in good faith to protect its own legitimate interests.

- (e) In the event of any Dispute between Parent and SpinCo, or any members of their respective Groups, either Party may waive a privilege in which the other Party or member of such other Party's Group has a shared privilege, without obtaining consent pursuant to Section 6.8(c); provided that the Parties intend such waiver of a shared privilege to be effective only as to the use of information with respect to the Action between the Parties and/or the applicable members of their respective Groups, and is not intended to operate as a waiver of the shared privilege with respect to any Third Party.
- (f) Upon receipt by either Party, or by any member of its respective Group, of any subpoena, discovery or other request that may reasonably be expected to result in the production or disclosure of Privileged Information subject to a shared privilege or immunity or as to which another Party has the sole right hereunder to assert a privilege or immunity, or if either Party obtains knowledge that any of its, or any member of its respective Group's, current or former directors, officers, agents or employees has received any subpoena, discovery or other request that may reasonably be expected to result in the production or disclosure of such Privileged Information, such Party shall promptly notify the other Party of the existence of the request (which notice shall be delivered to such other Party no later than five (5) business days following the receipt of any such subpoena, discovery or other request) and shall provide the other Party a reasonable opportunity to review the Privileged Information and to assert any rights it or they may have under this Section 6.8 or otherwise, to prevent the production or disclosure of such Privileged Information.
- (g) Any furnishing of, or access or transfer of, any information pursuant to this Agreement is made in reliance on the agreement between Parent and SpinCo set forth in this Section 6.8 and in Section 6.9 to maintain the confidentiality of Privileged Information and to assert and maintain all applicable privileges and immunities. The Parties agree that their respective rights to any access to information, witnesses and other Persons, the furnishing of notices and documents and other cooperative efforts between the Parties contemplated by this Agreement, and the transfer of Privileged Information between the Parties and members of their respective Groups as needed pursuant to this Agreement, shall not be deemed a waiver of any privilege that has been or may be asserted under this Agreement or otherwise.
- (h) In connection with any matter contemplated by <u>Section 6.7</u> or this <u>Section 6.8</u>, the Parties agree to, and to cause the applicable members of their Group to, use commercially reasonable efforts to maintain their respective separate and joint privileges and immunities, including by executing joint defense and/or common interest agreements where necessary or useful for this purpose.

# 6.9 Confidentiality.

- (a) Confidentiality. Subject to Section 6.10, from and after the Effective Time until the five (5)year anniversary of the Effective Time, each of Parent and SpinCo, on behalf of itself and each member of its respective Group, agrees to hold, and to cause its respective Representatives to hold, in strict confidence, with at least the same degree of care that applies to Parent's confidential and proprietary information pursuant to policies in effect as of the Effective Time, all confidential and proprietary information concerning the other Party or any member of the other Party's Group or their respective businesses that is either in its possession (including confidential and proprietary information in its possession prior to the date hereof) or furnished by any such other Party or any member of such Party's Group or their respective Representatives at any time pursuant to this Agreement, any Ancillary Agreement or otherwise, and shall not use any such confidential and proprietary information other than for such purposes as shall be expressly permitted hereunder or thereunder, except, in each case, to the extent that such confidential and proprietary information has been (i) in the public domain or generally available to the public, other than as a result of a disclosure by such Party or any member of such Party's Group or any of their respective Representatives in violation of this Agreement, (ii) later lawfully acquired from other sources by such Party (or any member of such Party's Group), which sources are not themselves bound by a confidentiality obligation or other contractual, legal or fiduciary obligation of confidentiality with respect to such confidential and proprietary information, or (iii) independently developed or generated without reference to or use of any confidential or proprietary information of the other Party or any member of such Party's Group. If any confidential and proprietary information of one Party or any member of its Group is disclosed to the other Party or any member of such other Party's Group in connection with providing services to such first Party or any member of such first Party's Group under this Agreement or any Ancillary Agreement, then such disclosed confidential and proprietary information shall be used only as required to perform such services.
- (b) No Release; Return or Destruction. Each Party agrees not to release or disclose, or permit to be released or disclosed, any information addressed in Section 6.9(a) to any other Person, except its Representatives who need to know such information in their capacities as such (who shall be advised of their obligations hereunder with respect to such information), and except in compliance with Section 6.10. Without limiting the foregoing, when any such information is no longer needed for the purposes contemplated by this Agreement or any Ancillary Agreement, and is no longer subject to any legal hold or other document preservation obligation, each Party will promptly after request of the other Party either return to the other Party all such information in a tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or notify the other Party in writing that it has destroyed such information (and such copies thereof and such notes, extracts or summaries based thereon); provided, that the Parties may retain electronic backup versions of such information maintained on routine computer system backup tapes, disks or other backup storage devices; provided, further, that any such information so retained shall remain subject to the confidentiality provisions of this Agreement or any Ancillary Agreement.
- (c) *Third-Party Information; Privacy or Data Protection Laws*. Each Party acknowledges that it and members of its Group may presently have and, following the Effective

Time, may gain access to or possession of confidential or proprietary information of, or legally protected personal information relating to, Third Parties (i) that was received under privacy policies and/or confidentiality or non-disclosure agreements entered into between such Third Parties, on the one hand, and the other Party or members of such other Party's Group, on the other hand, prior to the Effective Time, or (ii) that, as between the two (2) Parties, was originally collected by the other Party or members of such other Party's Group and that may be subject to and protected by privacy policies, as well as privacy, data protection or other applicable Laws. Each Party agrees that it shall hold, protect and use, and shall cause the members of its Group and its and their respective Representatives to hold, protect and use, in strict confidence the confidential and proprietary information of, or legally protected personal information relating to, Third Parties in accordance with privacy policies and privacy, data protection or other applicable Laws and the terms of any agreements that were either entered into before the Effective Time or affirmative commitments or representations that were made before the Effective Time by, between or among the other Party or members of the other Party's Group, on the one hand, and such Third Parties, on the other hand.

determines on the advice of its counsel that it is required to disclose any information pursuant to applicable Law or receives any request or demand under lawful process or from any Governmental Authority to disclose or provide information of the other Party (or any member of the other Party's Group) that is subject to the confidentiality provisions hereof, such Party shall notify the other Party (to the extent legally permitted) as promptly as practicable under the circumstances prior to disclosing or providing such information and shall cooperate, at the expense of the other Party, in seeking any appropriate protective order requested by the other Party. In the event that such other Party fails to receive such appropriate protective order in a timely manner and the Party receiving the request or demand reasonably determines that its failure to disclose or provide such information shall actually prejudice the Party receiving the request or demand, then the Party that received such request or demand may thereafter disclose or provide information to the extent required by such Law (as so advised by its counsel) or by lawful process or such Governmental Authority, and the disclosing Party shall promptly provide the other Party with a copy of the information so disclosed, in the same form and format so disclosed, together with a list of all Persons to whom such information was disclosed, in each case to the extent legally permitted.

# ARTICLE VII DISPUTE RESOLUTION

7.1 <u>Good Faith Officer Negotiation</u>. Subject to <u>Section 7.4</u>, either Party seeking resolution of any dispute, controversy or claim arising out of or relating to this Agreement or any Ancillary Agreement (including regarding whether any Assets are SpinCo Assets, any Liabilities are SpinCo Liabilities or the validity, interpretation, breach or termination of this Agreement or any Ancillary Agreement) (a "<u>Dispute</u>"), shall provide written notice thereof to the other Party (the "<u>Officer Negotiation Request</u>"). Within fifteen (15) days after the delivery of the Officer Negotiation Request, the Parties shall attempt to resolve the Dispute through good faith negotiation. All such negotiations shall be conducted by executives who hold, at a minimum, the title of Senior Vice President and who have authority to settle the

Dispute. All such negotiations shall be confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence. If the Parties are unable for any reason to resolve a Dispute within fifteen (15) days after receipt of the Officer Negotiation Request, and such fifteen (15)-day period is not extended by mutual written consent of the Parties, the Chief Executive Officers of the Parties shall enter into good faith negotiations in accordance with Section 7.2.

7.2 <u>CEO Negotiation</u>. If any Dispute is not resolved pursuant to <u>Section 7.1</u>, the Party that delivered the Officer Negotiation Request shall provide written notice of such Dispute to the Chief Executive Officer of each Party (a "<u>CEO Negotiation Request</u>"). As soon as reasonably practicable following receipt of a CEO Negotiation Request, the Chief Executive Officers of the Parties shall begin conducting good faith negotiations with respect to such Dispute. All such negotiations shall be confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence. If the Chief Executive Officers of the Parties are unable for any reason to resolve a Dispute within fifteen (15) days after receipt of a CEO Negotiation Request, and such fifteen (15)-day period is not extended by mutual written consent of the Parties, the Dispute shall be submitted to arbitration in accordance with <u>Section 7.3</u>.

#### 7.3 Arbitration.

- (a) In the event that a Dispute has not been resolved within fifteen (15) days after the receipt of a CEO Negotiation Request in accordance with Section 7.2, or within such longer period as the Parties may agree in writing, then such Dispute shall, upon the written request of a Party (the "Arbitration Request"), be submitted to be finally resolved by binding arbitration. The JAMS Streamlined Arbitration Rules and Procedures ("JAMS Streamlined Rules") in effect at the time of the arbitration shall govern the arbitration, except as they may be modified herein or by mutual written agreement of the Parties. The arbitration shall be held in (i) New York City, New York or (ii) such other place as the Parties may mutually agree in writing. Unless otherwise agreed by the Parties in writing, any Dispute to be decided pursuant to this Section 7.3 will be decided (x) before a sole arbitrator if the amount in dispute, inclusive of all claims and counterclaims, totals less than \$10,000,000,000,000,000,000] or more.
- (b) The panel of three (3) arbitrators will be chosen as follows: (i) within fifteen (15) days from the date of the receipt of the Arbitration Request, each Party will name an arbitrator; and (ii) the two (2) Partyappointed arbitrators will thereafter, within thirty (30) days from the date on which the second (2nd) of the two (2) arbitrators was named, name a third (3rd), independent arbitrator who will act as chairperson of the arbitral tribunal. In the event that either Party fails to name an arbitrator within fifteen (15) days from the date of receipt of the Arbitration Request, then upon written application by either Party, that arbitrator shall be appointed pursuant to the JAMS Streamlined Rules. In the event that the two (2) Party-appointed arbitrators fail to appoint the third (3rd), then the third (3rd) independent arbitrator will be appointed pursuant to the JAMS Streamlined Rules. If the arbitration will be before a sole independent arbitrator, then the sole independent arbitrator will be appointed by agreement of the Parties within fifteen (15) days from the date of receipt of the Arbitration Request. If the Parties

cannot agree to a sole independent arbitrator during such fifteen (15)-day period, then upon written application by either party, the sole independent arbitrator will be appointed pursuant to the JAMS Streamlined Rules.

- (c) The arbitrator(s) will have the right to award, on an interim basis, or include in the final award, any relief that it deems proper in the circumstances, including money damages (with interest on unpaid amounts from the due date), injunctive relief (including specific performance) and attorneys' fees and costs; provided that the arbitrator(s) will not award any relief not specifically requested by the Parties and, in any event, will not award any indirect, punitive, exemplary, remote, speculative or similar damages in excess of compensatory damages of the other arising in connection with the transactions contemplated hereby (other than any such Liability with respect to a Third-Party Claim). Upon selection of the arbitrator(s) following any grant of interim relief by a special arbitrator or court pursuant to Section 7.4, the arbitrator(s) may affirm or disaffirm that relief, and the Parties will seek modification or rescission of the order entered by the court as necessary to accord with the decision of the arbitrator(s). The award of the arbitrator(s) shall be final and binding on the Parties, and may be enforced in any court of competent jurisdiction. The initiation of arbitration pursuant to this Article VII will toll the applicable statute of limitations for the duration of any such proceedings. Notwithstanding applicable state law, the arbitration and this agreement to arbitrate shall be governed by the Federal Arbitration Act, 9 U.S.C. § 1, et seq.
- 7.4 <u>Litigation and Unilateral Commencement of Arbitration</u>. Notwithstanding the foregoing provisions of this <u>Article VII</u>, (a) a Party may seek preliminary provisional or injunctive judicial relief with respect to a Dispute without first complying with the procedures set forth in <u>Section 7.1</u>, <u>Section 7.2</u> and <u>Section 7.3</u> if such action is reasonably necessary to avoid irreparable damage, and (b) either Party may initiate arbitration before the expiration of the periods specified in <u>Section 7.1</u>, <u>Section 7.2</u> and <u>Section 7.2</u> if such Party has submitted an Officer Negotiation Request, a CEO Negotiation Request and/or an Arbitration Request and the other Party has failed to comply with <u>Section 7.1</u>, <u>Section 7.2</u> and/or <u>Section 7.3</u> in good faith with respect to such negotiation and/or the commencement and engagement in arbitration. In such event, the other Party may commence and prosecute such arbitration unilaterally in accordance with the provisions of the JAMS Streamlined Rules.
- 7.5 Conduct During Dispute Resolution Process. Unless otherwise agreed in writing, the Parties shall, and shall cause the respective members of their Groups to, continue to honor all commitments under this Agreement and each Ancillary Agreement to the extent required by such agreements during the course of dispute resolution pursuant to the provisions of this Article VII, unless such commitments are the specific subject of the Dispute at issue.
- 7.6 <u>Dispute Resolution Coordination</u>. Except to the extent otherwise provided in Section 14 of the Tax Matters Agreement, the provisions of this Article VII (other than this <u>Section 7.6</u>) shall not apply with respect to the resolution of any dispute, controversy or claim arising out of or relating to Taxes or Tax matters (it being understood and agreed that the resolution of any dispute, controversy or claim arising out of or relating to Taxes or Tax matters shall be governed by the Tax Matters Agreement).

## ARTICLE VIII FURTHER ASSURANCES AND ADDITIONAL COVENANTS

### 8.1 Further Assurances.

- (a) In addition to the actions specifically provided for elsewhere in this Agreement, each of the Parties shall use reasonable best efforts, prior to, on and after the Effective Time, to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable Laws, regulations and agreements to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements.
- shall cooperate with the other Party, and without any further consideration, but at the expense of the requesting Party, to execute and deliver, or use reasonable best efforts to cause to be executed and delivered, all instruments, including instruments of conveyance, assignment and transfer, and to make all filings with, and to obtain all Approvals or Notifications of, any Governmental Authority or any other Person under any permit, license, agreement, indenture or other instrument (including any consents or Governmental Approvals), and to take all such other actions as such Party may reasonably be requested to take by the other Party from time to time, consistent with the terms of this Agreement and the Ancillary Agreements, in order to effectuate the provisions and purposes of this Agreement and the Ancillary Agreements and the transfers of the SpinCo Assets and the Parent Assets and the assignment and assumption of the SpinCo Liabilities and the Parent Liabilities and the other transactions contemplated hereby and thereby. Without limiting the foregoing, each Party will, at the reasonable request, cost and expense of the other Party, take such other actions as may be reasonably necessary to vest in such other Party good and marketable title to the Assets allocated to such Party under this Agreement or any of the Ancillary Agreements, free and clear of any Security Interest, if and to the extent it is practicable to do so.
- (c) On or prior to the Effective Time, Parent and SpinCo in their respective capacities as direct and indirect stockholders of the members of their Groups, shall each ratify any actions that are reasonably necessary or desirable to be taken by Parent, SpinCo or any of the members of their respective Groups, as the case may be, to effectuate the transactions contemplated by this Agreement and the Ancillary Agreements.
- (d) Parent and SpinCo, and each of the members of their respective Groups, waive (and agree not to assert against any of the others) any claim or demand that any of them may have against any of the others for any Liabilities or other claims relating to or arising out of: (i) the failure of SpinCo or any other member of the SpinCo Group, on the one hand, or of Parent or any other member of the Parent Group, on the other hand, to provide any notification or disclosure required under any state Environmental Law in connection with the Separation or the other transactions contemplated by this Agreement, including the transfer by any member of any Group to any member of the other Group of ownership or operational control of any Assets not previously owned or operated by such transferee; or (ii) any inadequate, incorrect or incomplete notification or disclosure under any such state Environmental Law by the applicable transferor. To the extent any Liability to any Governmental Authority or any Third Party arises out of any

action or inaction described in clauses (i) or (ii) above, the transferee of the applicable Asset hereby assumes and agrees to pay any such Liability.

# ARTICLE IX TERMINATION

- 9.1 <u>Termination</u>. This Agreement and all Ancillary Agreements may be terminated and the Distribution may be amended, modified or abandoned at any time prior to the Effective Time by Parent, in its sole and absolute discretion, without the approval or consent of any other Person, including SpinCo. After the Effective Time, this Agreement may not be terminated, except by an agreement in writing signed by a duly authorized officer of each of the Parties.
- 9.2 <u>Effect of Termination</u>. In the event of any termination of this Agreement prior to the Effective Time, no Party (nor any of its directors, officers or employees) shall have any Liability or further obligation to the other Party by reason of this Agreement.

# ARTICLE X MISCELLANEOUS

- 10.1 <u>Counterparts; Entire Agreement; Corporate Power</u>.
- (a) This Agreement and each Ancillary Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Party.
- (b) This Agreement, the Ancillary Agreements and the Exhibits, Schedules and appendices hereto and thereto contain the entire agreement between the Parties with respect to the subject matter hereof, supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter, and there are no agreements or understandings between the Parties other than those set forth or referred to herein or therein. This Agreement and the Ancillary Agreements together govern the arrangements in connection with the Separation and the Distribution and would not have been entered into independently.
- (c) Parent represents on behalf of itself and each other member of the Parent Group, and SpinCo represents on behalf of itself and each other member of the SpinCo Group, as follows:
  - (i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and each Ancillary Agreement to which it is a party and to consummate the transactions contemplated hereby and thereby; and
  - (ii) this Agreement and each Ancillary Agreement to which it is a party has been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable in accordance with the terms thereof.

- (d) Each Party acknowledges that it and each other Party is executing certain of the Ancillary Agreements by facsimile, stamp or mechanical signature, and that delivery of an executed counterpart of a signature page to this Agreement or any Ancillary Agreement (whether executed by manual, stamp or mechanical signature) by facsimile or by e-mail in portable document format (.pdf) shall be effective as delivery of such executed counterpart of this Agreement or any Ancillary Agreement. Each Party expressly adopts and confirms each such facsimile, stamp or mechanical signature (regardless of whether delivered in person, by mail, by courier, by facsimile or by e-mail in portable document format (.pdf)) made in its respective name as if it were a manual signature delivered in person, agrees that it will not assert that any such signature or delivery is not adequate to bind such Party to the same extent as if it were signed manually and delivered in person and agrees that, at the reasonable request of the other Party at any time, it will as promptly as reasonably practicable cause each such Ancillary Agreement to be manually executed (any such execution to be as of the date of the initial date thereof) and delivered in person, by mail or by courier.
- Agreement (and any claims or disputes arising out of or related hereto or thereto or to the transactions contemplated hereby and thereby or to the inducement of any party to enter herein and therein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall be governed by and construed and interpreted in accordance with the Laws of the State of Delaware irrespective of the choice of laws principles of the State of Delaware, including all matters of validity, construction, effect, enforceability, performance and remedies.
- Ancillary Agreement shall be binding upon and inure to the benefit of the Parties and the parties thereto, respectively, and their respective successors and permitted assigns; provided, however, that neither Party nor any such party thereto may assign its rights or delegate its obligations under this Agreement or any Ancillary Agreement without the express prior written consent of the other Party hereto or other parties thereto, as applicable. Notwithstanding the foregoing, no such consent shall be required for the assignment of a Party's rights and obligations under this Agreement and the Ancillary Agreements (except as may be otherwise provided in any such Ancillary Agreement) in whole (i.e., the assignment of a Party's rights and obligations under this Agreement and all Ancillary Agreements at the same time) in connection with a change of control or a sale of all or substantially all of a Party (or its assets) so long as the resulting, surviving or transferee Person assumes all the obligations of the relevant party thereto by operation of Law or pursuant to an agreement in form and substance reasonably satisfactory to the other Party.
- 10.4 Third Party Beneficiaries. Except for the indemnification rights under this Agreement and each Ancillary Agreement of any Parent Indemnitee or SpinCo Indemnitee in their respective capacities as such, (a) the provisions of this Agreement and each Ancillary Agreement are solely for the benefit of the Parties and are not intended to confer upon any Person except the Parties any rights or remedies hereunder, and (b) there are no Third Party beneficiaries of this Agreement or any Ancillary Agreement and neither this Agreement nor any Ancillary Agreement shall provide any Third Party with any remedy, claim, Liability,

reimbursement, claim of action or other right in excess of those existing without reference to this Agreement or any Ancillary Agreement.

10.5 <u>Notices</u>. All notices, requests, claims, demands or other communications under this Agreement and, to the extent applicable and unless otherwise provided therein, under each of the Ancillary Agreements, shall be in writing and shall be given or made (and except as provided herein, shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by certified mail, return receipt requested, or by electronic mail ("<u>e-mail</u>"), so long as confirmation of receipt of such e-mail is requested and received, to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this <u>Section 10.5</u>):

If to Parent, to:

XPO Logistics, Inc.

Five American Lane

Greenwich, Connecticut 06831

Attention: Deputy Chief Financial Officer, Ravi Tulsyan

E-mail: ravi.tulsyan@xpo.com

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

Wachtell, Lipton, Rosen & Katz

51 West 52nd Street

New York, New York 10019

Attention: Adam O. Emmerich

Viktor Sapezhnikov

E-mail: AOEmmerich@wlrk.com

VSapezhnikov@wlrk.com

If to SpinCo (prior to the Effective Time), to:

GXO Logistics, Inc.

Two American Lane

Greenwich, Connecticut 06831

Attention: Chief Legal Officer, Karlis Kirsis

E-mail: Karlis.Kirsis@gxo.com

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

Wachtell, Lipton, Rosen & Katz

51 West 52nd Street

New York, New York 10019

Attention: Adam O. Emmerich

Viktor Sapezhnikov

E-mail: AOEmmerich@wlrk.com

VSapezhnikov@wlrk.com

If to SpinCo (from and after the Effective Time), to:

GXO Logistics, Inc.
Two American Lane
Greenwich, Connecticut 06831
Attention: Chief Legal Officer, Karlis Kirsis

E-mail: Karlis.Kirsis@gxo.com

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

Wachtell, Lipton, Rosen & Katz 51 West 52nd Street New York, New York 10019 Attention: Adam O. Emmerich

Viktor Sapezhnikov

E-mail: AOEmmerich@wlrk.com VSapezhnikov@wlrk.com

A Party may, by notice to the other Party, change the address to which such notices are to be given or made.

- 10.6 <u>Severability</u>. If any provision of this Agreement or any Ancillary Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof or thereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the Parties.
- 10.7 Force Majeure. No Party shall be deemed in default of this Agreement or, unless otherwise expressly provided therein, any Ancillary Agreement for any delay or failure to fulfill any obligation (other than a payment obligation) hereunder or thereunder so long as and to the extent to which any delay or failure in the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. In the event of any such excused delay, the time for performance of such obligations (other than a payment obligation) shall be extended for a period equal to the time lost by reason of the delay. A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event, (a) provide written notice to the other Party of the nature and extent of any such Force Majeure condition and (b) use commercially reasonable efforts to remove any such causes and resume performance under this Agreement and the Ancillary Agreements, as applicable, as soon as reasonably practicable.
- 10.8 No Set-Off. Except as expressly set forth in any Ancillary Agreement or as otherwise mutually agreed to in writing by the Parties, neither Party nor any member of such Party's group shall have any right of set-off or other similar rights with respect to (a) any amounts received pursuant to this Agreement or any Ancillary Agreement or (b) any other

amounts claimed to be owed to the other Party or any member of its Group arising out of this Agreement or any Ancillary Agreement.

- Agreement, or as otherwise agreed to in writing by the Parties, all fees, costs and expenses incurred on or prior to the Effective Time in connection with the preparation, execution, delivery and implementation of this Agreement, including the Separation and the Distribution, and any Ancillary Agreement, the Separation, the Form 10, the Plan of Reorganization and the consummation of the transactions contemplated hereby and thereby will be borne by the Party or its applicable Subsidiary incurring such fees, costs or expenses. The Parties agree that certain specified costs and expenses shall be allocated between the Parties as set forth on Schedule 10.9.
- 10.10 <u>Headings</u>. The article, section and paragraph headings contained in this Agreement and in the Ancillary Agreements are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement or any Ancillary Agreement.
- 10.11 <u>Survival of Covenants</u>. Except as expressly set forth in this Agreement or any Ancillary Agreement, the covenants, representations and warranties contained in this Agreement and each Ancillary Agreement, and Liability for the breach of any obligations contained herein, shall survive the Separation and the Distribution and shall remain in full force and effect.
- 10.12 <u>Waivers of Default</u>. Waiver by a Party of any default by the other Party of any provision of this Agreement or any Ancillary Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default, nor shall it prejudice the rights of the other Party. No failure or delay by a Party in exercising any right, power or privilege under this Agreement or any Ancillary Agreement shall operate as a waiver thereof, nor shall a single or partial exercise thereof prejudice any other or further exercise thereof or the exercise of any other right, power or privilege.
- or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement or any Ancillary Agreement, the Party or Parties who are, or are to be, thereby aggrieved shall have the right to specific performance and injunctive or other equitable relief in respect of its or their rights under this Agreement or such Ancillary Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The Parties agree that the remedies at law for any breach or threatened breach, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are waived by each of the Parties.
- 10.14 <u>Amendments</u>. No provisions of this Agreement or any Ancillary Agreement shall be deemed waived, amended, supplemented or modified by a Party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized

representative of the Party against whom it is sought to enforce such waiver, amendment, supplement or modification.

10.15 Interpretation. In this Agreement and in any Ancillary Agreement: (a) words in the singular shall be deemed to include the plural and vice versa and words of one gender shall be deemed to include the other genders as the context requires; (b) the terms "hereof," "herein," and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement (or the applicable Ancillary Agreement) as a whole (including all of the Schedules, Exhibits and Appendices hereto and thereto) and not to any particular provision of this Agreement (or such Ancillary Agreement); (c) Article, Section, Schedule, Exhibit and Appendix references are to the Articles, Sections, Schedules, Exhibits and Appendices to this Agreement (or the applicable Ancillary Agreement), unless otherwise specified; (d) unless otherwise stated, all references to any agreement (including this Agreement and each Ancillary Agreement) shall be deemed to include the exhibits, schedules and annexes (including all Schedules, Exhibits and Appendixes) to such agreement; (e) the word "including" and words of similar import when used in this Agreement (or the applicable Ancillary Agreement) shall mean "including, without limitation," unless otherwise specified; (f) the word "or" shall not be exclusive; (g) unless otherwise specified in a particular case, the word "days" refers to calendar days; (h) references to "business day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions are generally authorized or required by law to close in the United States or New York, New York; (i) references herein to this Agreement or any other agreement contemplated herein shall be deemed to refer to this Agreement or such other agreement as of the date on which it is executed and as it may be amended, modified or supplemented thereafter, unless otherwise specified; and (i) unless expressly stated to the contrary in this Agreement or in any Ancillary Agreement, all references to "the date hereof," "the date of this Agreement," "hereby" and "hereupon" and words of similar import shall all be references to [], 2021.

10.16 <u>Limitations of Liability</u>. Notwithstanding anything in this Agreement to the contrary, neither SpinCo or any member of the SpinCo Group, on the one hand, nor Parent or any member of the Parent Group, on the other hand, shall be liable under this Agreement to the other for any indirect, incidental, punitive, exemplary, remote, speculative or similar damages in excess of compensatory damages of the other arising in connection with the transactions contemplated hereby (other than any such Liability with respect to a Third-Party Claim).

10.17 Performance. Parent will cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement or in any Ancillary Agreement to be performed by any member of the Parent Group. SpinCo will cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement or in any Ancillary Agreement to be performed by any member of the SpinCo Group. Each Party (including its permitted successors and assigns) further agrees that it will (a) give timely notice of the terms, conditions and continuing obligations contained in this Agreement and any applicable Ancillary Agreement to all of the other members of its Group and (b) cause all of the other members of its Group not to take any action or fail to take any such action inconsistent with such Party's obligations under this Agreement, any Ancillary Agreement or the transactions contemplated hereby or thereby.

10.18 <u>Mutual Drafting</u>. This Agreement and the Ancillary Agreements shall be deemed to be the joint work product of the Parties and any rule of construction that a document shall be interpreted or construed against a drafter of such document shall not be applicable.

### 10.19 Ancillary Agreements.

- (a) In the event of any conflict or inconsistency between the terms of this Agreement and the terms of the Transition Services Agreement, the Tax Matters Agreement, the Employee Matters Agreement or the Intellectual Property License Agreement (each, a "Specified Ancillary Agreement"), the terms of the applicable Specified Ancillary Agreement, shall control with respect to the subject matter addressed by such Specified Ancillary Agreement to the extent of such conflict or inconsistency.
- (b) In the event of any conflict or inconsistency between the terms of this Agreement or any Specified Ancillary Agreement, on the one hand, and any Transfer Document, on the other hand, including with respect to the allocation of Assets and Liabilities as among the Parties or the members of their respective Groups, this Agreement or such Specified Ancillary Agreement shall control.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused this Separation and Distribution Agreement to be executed by their duly authorized representatives as of the date first written above.

By:	
	Name:
	Title:
D	
Ву:	<u></u>
Ву:	Name: Title:

[Signature Page to Separation and Distribution Agreement]

FORM OF
TRANSITION SERVICES AGREEMENT
BY AND BETWEEN
XPO LOGISTICS, INC.
AND
GXO LOGISTICS, INC.
DATED AS OF [ ], 2021

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#### TRANSITION SERVICES AGREEMENT

This TRANSITION SERVICES AGREEMENT (this "<u>Agreement</u>") is entered into as of [], 2021, by and between XPO Logistics, Inc., a Delaware corporation ("<u>Parent</u>"), and GXO Logistics, Inc., a Delaware corporation ("<u>SpinCo</u>").

#### RECITALS:

WHEREAS, the board of directors of Parent (the "<u>Parent Board</u>") has determined that it is in the best interests of Parent and its stockholders to create a new publicly traded company that shall operate the SpinCo Business;

WHEREAS, in furtherance of the foregoing, the Parent Board has determined that it is appropriate and desirable to separate the SpinCo Business from the Parent Business (the "Separation") and, following the Separation, make a distribution, on a *pro rata* basis, to holders of Parent Shares on the Record Date of all the outstanding SpinCo Shares owned by Parent (the "Distribution");

WHEREAS, SpinCo has been incorporated solely for these purposes and has not engaged in activities, except in connection with the Separation and the Distribution;

WHEREAS, SpinCo and Parent have prepared, and SpinCo has filed with the SEC, the Form 10, which includes the Information Statement, and which sets forth disclosures concerning SpinCo, the Separation and the Distribution;

WHEREAS, to effectuate the Separation and the Distribution, Parent and SpinCo have entered into a Separation and Distribution Agreement, dated as of [], 2021 (the "Separation and Distribution Agreement");

WHEREAS, to facilitate and provide for an orderly transition in connection with the Separation and the Distribution, the Parties desire to enter into this Agreement to set forth the terms and conditions pursuant to which each of the Parties shall provide Services to the other Party for a transitional period; and

WHEREAS, the Parties acknowledge that this Agreement, the Separation and Distribution Agreement, and the other Ancillary Agreements represent the integrated agreement of Parent and SpinCo relating to the Separation and the Distribution, are being entered together, and would not have been entered independently.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

# ARTICLE I DEFINITIONS

Section 1.01. <u>Definitions</u>. For purposes of this Agreement (including the Recitals hereof), the following terms have the following meanings, and capitalized terms used



but not otherwise defined herein shall have the meaning ascribed to them in the Separation and Distribution Agreement:

- "Action" has the meaning in the Separation and Distribution Agreement.
- "Additional Services" has the meaning set forth in Section 2.01(b).
- "Affiliate" has the meaning set forth in the Separation and Distribution Agreement.
- "Agreement" has the meaning set forth in the Preamble.
- "Ancillary Agreements" has the meaning set forth in the Separation and Distribution Agreement.
- "Charge" and "Charges" have the meaning set forth in Section 2.03.
- "Confidential Information" means all Information that is either confidential or proprietary.
- "Contract Manager" has the meaning set forth in Section 2.08.
- "Dispute" has the meaning set forth in Section 8.16(a).
- "<u>Distribution</u>" has the meaning set forth in the <u>Recitals</u>.
- "<u>Distribution Date</u>" means the date of the consummation of the Distribution, which shall be determined by the Parent Board in its sole and absolute discretion.
  - "Effective Time" means 12:01 a.m., New York City time, on the Distribution Date.
  - "e-mail" has the meaning set forth in Section 8.10
- "Force Majeure" means, with respect to a Party, an event beyond the reasonable control of such Party (or any Person acting on its behalf), which event (a) does not arise or result from the fault or negligence of such Party (or any Person acting on its behalf) and (b) by its nature would not reasonably have been foreseen by such Party (or such Person), or, if it would reasonably have been foreseen, was unavoidable, and includes acts of God, acts of civil or military authority, embargoes, epidemics, pandemics, war, riots, insurrections, fires, explosions, earthquakes, floods, unusually severe weather conditions, labor problems or unavailability of parts, or, in the case of computer systems, any significant and prolonged failure in electrical or air conditioning equipment. Notwithstanding the foregoing, (i) the receipt by a Party of an unsolicited takeover offer or other acquisition proposal, even if unforeseen or unavoidable, and such Party's response thereto and (ii) the inability to obtain sufficient funds needed for the performance of a Party's obligation hereunder, shall not be deemed an event of Force Majeure.
  - "Governmental Authority" has the meaning in the Separation and Distribution Agreement.
  - "Information" has the meaning in the Separation and Distribution Agreement.

- "Interest Payment" has the meaning set forth in Section 4.02.
- "Law" has the meaning in the Separation and Distribution Agreement.
- "Level of Service" has the meaning set forth in Section 2.02(c).
- "Liabilities" has the meaning in the Separation and Distribution Agreement.
- "Non-Income Taxes" has the meaning set forth in Section 4.03(a).
- "Parent" has the meaning set forth in the Preamble.
- "Parent Board" has the meaning set forth in the Recitals.
- "Parent Business" has the meaning set forth in the Separation and Distribution Agreement.
- "Parent Shares" means the shares of common stock, par value \$0.001 per share, of Parent.
- "Party" or "Parties" means the parties to this Agreement.
- "Person" has the meaning in the Separation and Distribution Agreement.
- "Project Work" has the meaning set forth in Section 2.01(c).
- "Provider" means, with respect to any Service, the Party providing such Service.
- "Provider Indemnitees" has the meaning set forth in Section 7.03.
- "Recipient" means, with respect to any Service, the Party receiving such Service.
- "Recipient Indemnitees" has the meaning set forth in Section 7.04.
- "Record Date" means the close of business on the date to be determined by the Parent Board as the record date for determining holders of Parent Shares entitled to receive SpinCo Shares pursuant to the Distribution.
  - "Representatives" has the meaning in the Separation and Distribution Agreement.
  - "Separation" has the meaning set forth in the Recitals.
  - "Separation and Distribution Agreement" has the meaning set forth in the Recitals.
  - "Service Baseline Period" has the meaning set forth in Section 2.02(c).
- "Service Period" means, with respect to any Service, the period commencing on the Distribution Date and ending on the earliest to occur of (a) the date that a Party terminates the provision of such Service pursuant to Section 5.02 and (b) the earlier of the date, if any, specified for termination of such Service on the Schedules hereto or twelve months from the Effective Date.

"Services" has the meaning set forth in Section 2.01(a).

"SpinCo" has the meaning set forth in the Preamble.

"SpinCo Business" has the meaning set forth in the Separation and Distribution Agreement.

"SpinCo Change of Control" means the first of the following events, if any, to occur following the Distribution Date:

- (i) the acquisition by any person, entity or "group" (as defined in Section 13(d) of the Exchange Act) of beneficial ownership of fifty percent (50%) or more of the combined voting power of SpinCo's then-outstanding voting securities, other than any such acquisition by SpinCo, any of its Subsidiaries, any employee benefit plan of SpinCo or any of its Subsidiaries, or any Affiliates of any of the foregoing;
- (ii) the merger, consolidation or other similar transaction involving SpinCo, as a result of which persons who were stockholders of SpinCo immediately prior to such merger, consolidation, or other similar transaction do not, immediately thereafter, own, directly or indirectly, more than fifty percent (50%) of the combined voting power entitled to vote generally in the election of directors of the merged or consolidated company; or
- (iii) the sale, transfer or other disposition of all or substantially all of the assets of SpinCo and its Subsidiaries.

"SpinCo Shares" means the shares of common stock, par value \$0.01 per share, of SpinCo.

"Subsidiary" has the meaning in the Separation and Distribution Agreement.

"Tax" has the meaning in the Tax Matters Agreement.

"Tax Matters Agreement" has the meaning set forth in the Separation and Distribution Agreement.

"Taxing Authority" has the meaning in the Tax Matters Agreement.

"Termination Charges" shall mean, with respect to the termination of any Service pursuant to Section 4.02(a)(i), the sum of (a) any and all costs, fees and expenses (other than any severance or retention costs) payable by Provider of such Service to a Third Party principally because of the early termination of such Service; provided, however, that Provider shall use commercially reasonable efforts to minimize any costs, fees or expenses payable to any Third Party in connection with such early termination of such Service and credit any such reductions against the Termination Charges payable by Recipient; and (b) any additional severance and retention costs, if any, because of the early termination of such Service that Provider of such terminated Service incurs to employees who had been retained primarily to provide such terminated Service (it being agreed that the costs set forth in this clause (b) shall only be the amount, if any, in excess of the severance and retention costs that such Provider would have paid

to such employees if the Service had been provided for the full period during which such Service would have been provided hereunder but for such early termination).

"Third Party" means any Person other than the Parties or any of their respective Affiliates.

"Third-Party Claim" means any Action commenced by any Third Party against any Party or any of its Affiliates.

# ARTICLE II SERVICES

### Section 2.01. Services.

- (a) Commencing as of the Effective Time, Provider agrees to provide, or to cause one or more of its Subsidiaries to provide, to Recipient, or any Subsidiary of Recipient, the applicable services (the "Services") set forth on the Schedules hereto.
- (b) After the date of this Agreement, if (i) SpinCo identifies a service that Parent provided to SpinCo during the last sixty (60) days prior to the Distribution Date that SpinCo reasonably needs in order for the SpinCo Business to continue to operate in substantially the same manner in which the SpinCo Business operated during the last sixty (60) days prior to the Distribution Date, and such service was not included on the Schedules hereto (other than because the Parties agreed such service shall not be provided), or (ii) Parent identifies a service that SpinCo provided to Parent during the last sixty (60) days prior to the Distribution Date that Parent reasonably needs in order for the Parent Business to continue to operate in substantially the same manner in which the Parent Business operated during the last sixty (60) days prior to the Distribution Date, and such service was not included on the Schedules hereto (other than because the Parties agreed such service shall not be provided) then, in each case, if such Party provides written notice to the other Party within sixty (60) days after the Distribution Date requesting such additional services, then the Party receiving such notice shall use its commercially reasonable efforts to provide such requested additional services (such requested additional services, the "Additional Services"); provided, however, that neither Party shall be obligated to provide any Additional Service if it does not, in its commercially reasonable judgment, have adequate resources to provide such Additional Service or if the provision of such Additional Service would significantly disrupt the operation of such Party's or its Subsidiaries' businesses; and provided, further, that a Party shall not be required to provide any Additional Services if the Parties, acting reasonably and in good faith, are unable to reach agreement on the terms thereof (including with respect to Charges therefor). In connection with any request for Additional Services in accordance with this Section 2.01(b), the Parties shall negotiate in good faith the terms of a supplement to the applicable Schedule, which terms shall be consistent with the terms of, and the pricing methodology used for, similar Services provided under this Agreement. Upon the mutual written agreement of the Parties, the supplement to the applicable Schedule shall describe in reasonable detail the nature, scope, Service Period(s), termination provisions and other terms applicable to such Additional Services in a manner similar to that in which the Services are described in the existing Schedules. Each supplement to the applicable Schedule, as agreed to in writing by the Parties, shall be deemed part of this Agreement as of the

date of such agreement and the Additional Services set forth therein shall be deemed "Services" provided under this Agreement, in each case subject to the terms and conditions of this Agreement.

- (c) After the date of this Agreement, if SpinCo identifies in good faith that additional work project support or resources are reasonably required to transition off the Services, including with respect to any migration, and such service was not included on the Schedules hereto (other than because the Parties agreed such service shall not be provided) and does qualify as "Additional Services" pursuant to Section 2.01(b), then, if SpinCo provides written notice to Parent during the Term hereof requesting such additional work project support or resources, Parent shall use its commercially reasonable efforts to provide such requested additional work project support or resources (such requested additional work project support or resources, the "Project Work"); provided, however, that Parent shall be obligated to provide any Project Work if it does not, in its commercially reasonable judgment, have adequate resources to provide such Project Work or if the provision of such Project Work would significantly disrupt the operation of Parent's or its Subsidiaries' businesses; and provided, further, that Parent shall not be required to provide any Project Work if the Parties, acting reasonably and in good faith, are unable to reach agreement on the terms thereof (it being agreed that the Charges for such Project Work that is to be performed by employees of Parent shall be billed at the rate set forth in the Schedules hereto under the heading "Project Work"). Upon the mutual written agreement of the Parties, the supplement to the applicable Schedule shall describe in reasonable detail the nature, scope, Service Period(s), termination provisions and other terms applicable to such Project Work in a manner similar to that in which the Services are described in the existing Schedules. Each supplement to the applicable Schedule, as agreed to in writing by the Parties, shall be deemed part of this Agreement as of the date of such agreement and the Project Work set forth therein shall be deemed "Services" provided under this Agreement, in each case subject to the terms and conditions of this Agreement.
- (d) It is not the intent of Provider to render, nor of Recipient to receive from Provider, professional advice or opinions, whether with regard to Tax, generally accepted accounting principles, legal, treasury, finance, employment or other business and financial matters, technical advice, whether with regard to information technology or other matters; Recipient shall not rely on, or construe, any Service rendered by or on behalf of Provider as such professional advice or opinions or technical advice; and Recipient shall seek all third-party professional advice and opinions or technical advice as it may desire or need from persons other than Provider or its Affiliates.

#### Section 2.02. Performance of Services.

(a) Subject to <u>Section 2.05</u>, Provider shall perform, or shall cause one or more of its Subsidiaries to perform (directly, through one or more of its Subsidiaries, or through a Third Party service provider in accordance herewith), all Services to be provided in a manner that is substantially similar in all material respects to the analogous services provided by or on behalf of Provider or any of its Subsidiaries to its applicable functional group or Subsidiary during the twelve (12)-month period ending on the last day of Provider's last fiscal quarter

completed on or prior to the date of the Distribution Date (the "Service Baseline Period") and that in any event, conforms in all material respects with the terms of the Schedules hereto.

- (b) Nothing in this Agreement shall require Provider to perform or cause to be performed any Service to the extent that the manner of such performance would constitute a violation of any applicable Law or any existing contract or agreement with a Third Party. If Provider is or becomes aware that any such violation is reasonably likely, Provider shall use commercially reasonable efforts to promptly advise Recipient of such potential violation, and Provider and Recipient will mutually seek an alternative that addresses such potential violation. The Parties agree to cooperate in good faith and use commercially reasonable efforts to obtain any necessary Third Party consents required under any existing contract or agreement with a Third Party to allow Provider to perform, or cause to be performed, all Services to be provided hereunder in accordance with the standards set forth in this Section 2.02. Recipient shall reimburse Provider for all reasonable out-of-pocket costs and expenses (if any) incurred by Provider or any of its Subsidiaries in connection with obtaining any such Third Party consent that is required to allow Provider to perform or cause to be performed such Services. If, with respect to a Service, the Parties, despite the use of such commercially reasonable efforts, are unable to obtain a required Third Party consent, or the performance of such Service by Provider would constitute a violation of any applicable Law, Provider shall have no obligation whatsoever to perform or cause to be performed such Service.
- (c) Unless otherwise provided with respect to a specific Service on the Schedules hereto, Provider shall not be obligated to perform or cause to be performed any Service in a manner that is more burdensome in any material respect (with respect to service quality or quantity) than analogous services provided by Provider or its applicable functional group or Subsidiary (collectively referred to as the "Level of Service") during the Service Baseline Period. If Recipient requests that Provider perform or cause to be performed any Service that exceeds the Level of Service during the Service Baseline Period, then the Parties shall cooperate and negotiate in good faith to determine whether Provider will be required to provide such requested increased Level of Service. If the Parties determine that Provider shall provide the requested increased Level of Service, then such increased Level of Service shall be documented in a written agreement signed by the Parties. Each amended section of the Schedules hereto, as agreed in writing by the Parties, shall be deemed part of this Agreement as of the date of such written agreement, and the Level of Service increases set forth in such written agreement shall be deemed a part of the "Services" provided under this Agreement, in each case subject to the terms and conditions of this Agreement.
- (d) (i) Neither Provider nor any of its Subsidiaries shall be required to perform or cause to be performed any of the Services for the benefit of any Third Party or any other Person other than Recipient and its Subsidiaries, and (ii) EXCEPT AS EXPRESSLY PROVIDED IN SECTION 6.04, RECIPIENT ACKNOWLEDGES AND AGREES THAT ALL SERVICES ARE PROVIDED ON AN "AS-IS" BASIS, THAT RECIPIENT ASSUMES ALL RISK AND LIABILITY ARISING FROM OR RELATING TO ITS USE OF AND RELIANCE UPON THE SERVICES, AND THAT PROVIDER MAKES NO REPRESENTATIONS OR GRANTS ANY WARRANTIES, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, BY STATUTE OR OTHERWISE, WITH RESPECT TO THE

SERVICES. PROVIDER SPECIFICALLY DISCLAIMS ANY WARRANTIES, WHETHER WRITTEN OR ORAL, OR EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF QUALITY, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR USE OR PURPOSE OR THE NON-INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES.

(e) Each Party shall be responsible for its own compliance with any and all Laws applicable to its performance under this Agreement. No Party shall knowingly take any action in violation of any such applicable Law that results in Liability being imposed on the other Party.

Section 2.03. <u>Charges for Services</u>. Unless otherwise provided with respect to a specific Service on the <u>Schedules</u> hereto, Recipient shall pay Provider a fee (either one (1)-time or recurring) for such Services (or category of Services, as applicable) (each fee, a "<u>Charge</u>" and, collectively, "<u>Charges</u>"), which Charges shall be set forth on the applicable <u>Schedules</u> hereto, or if not so set forth, then, unless otherwise provided with respect to a specific Service on the <u>Schedule</u> hereto, based upon the cost of providing such Services. During the term of this Agreement, the amount of a Charge for any Service may be modified to the extent of (a) any adjustments mutually agreed by the Parties, (b) any adjustments due to a change in Level of Service requested by Recipient and agreed by Provider, and (c) any adjustment in the rates or charges imposed by any Third-Party service provider that is providing Services; <u>provided</u> that Provider will use commercially reasonable efforts to notify Recipient of any such material change in rates as promptly as practicable. Together with any invoice for Charges, Provider shall provide Recipient with reasonable documentation, including any additional documentation reasonably requested by Recipient to the extent that such documentation is in Provider's or its Subsidiaries' possession or control, to support the calculation of such Charges.

Section 2.04. Reimbursement for Out-of-Pocket Costs and Expenses. In addition to any increase to a Charge contemplated by Section 2.02(c) and Section 2.03, Recipient shall reimburse Provider for reasonable out-of-pocket costs and expenses incurred by Provider or any of its Subsidiaries in connection with providing the Services (including reasonable travel-related expenses) to the extent that such costs and expenses are not reflected in the Charges for such Services; provided, however, that any such cost or expense in excess of ten thousand dollars (\$10,000.00) that is not consistent with historical practice between the Parties for any individual Service (including business travel and related expenses) shall require advance written approval of Recipient; provided, further, that if Recipient does not provide such advance written approval and the incurrence of such cost or expense is reasonably necessary for Provider to provide such Service in accordance with the standards set forth in this Agreement, Provider shall not be required to perform such Service. Any authorized travel-related expenses incurred in performing the Services shall be charged to Recipient in accordance with Provider's then-applicable business travel policies.

### Section 2.05. Changes in the Performance of Services.

(a) Notwithstanding the foregoing, Provider may make changes from time to time in the manner of performing the Services if Provider is making similar changes in performing analogous services for itself and if Provider furnishes to Recipient reasonable prior

written notice (in content and timing) of such changes; <u>provided</u>, that if such change shall materially adversely affect the timeliness or quality of, or the Charges for, the applicable Service, the Parties shall cooperate in good faith to agree on modifications to such Services as are commercially reasonable in consideration of the circumstances.

(b) Subject to the limitations on Additional Services or Project Work set forth in Section 2.02(b), Recipient may request a change to a Service by submitting a request in writing to Provider describing the proposed change in reasonable detail. Provider shall respond to the request as soon as reasonably practicable, and the Parties shall use commercially reasonable efforts to agree to such request, unless the change requested would adversely impact the cost, liability, or risk associated with providing or receiving the applicable Service, or cause any other disruption or adverse impact on the business or operations of Recipient or its Affiliates. Each agreed upon change shall be documented by an amendment in writing to the applicable Schedule.

Section 2.06. <u>Transitional Nature of Services</u>. The Parties acknowledge the transitional nature of the Services and agree to cooperate in good faith and to use commercially reasonable efforts to avoid a disruption in the transition of the Services from Provider to Recipient (or its designee). Recipient agrees to use commercially reasonable efforts to reduce or eliminate its and its Affiliates' dependency on each Service to the extent and as soon as is reasonably practicable.

Section 2.07. <u>Subcontracting</u>. Provider may hire or engage one or more Third Parties to perform any or all of its obligations under this Agreement; <u>provided</u>, <u>however</u>, that (a) Provider shall use substantially the same degree of care (but at least reasonable care) in selecting each such Third Party as it would if such Third Party was being retained to provide similar services to Provider and (b) Provider shall in all cases remain responsible (as primary obligor) for all of its obligations under this Agreement with respect to the scope of the Services, the performance standard for Services set forth in <u>Sections 2.02(a)</u>, <u>2.02(b)</u> and <u>2.02(c)</u> and the content of the Services provided to Recipient. Provider shall be liable for any breach of its obligations under this Agreement by any Third-Party service provider engaged by Provider. Subject to the confidentiality provisions set forth in <u>Article V</u>, Provider shall, and shall cause its Affiliates to, provide, upon fifteen (15) business days' prior written notice, any Information within Provider's or its Affiliates' control that Recipient reasonably requests in connection with any Services being provided to Recipient by a Third Party, including any applicable invoices, agreements documenting the arrangements between such Third Party and Provider and other supporting documentation; <u>provided</u>, <u>further</u>, that Recipient may make no more than one (1) such request per Third Party during any calendar quarter.

Section 2.08. <u>Contract Manager</u>. Each Party shall appoint an individual to act as its primary point of operational contact for the administration and operation of this Agreement (each, a "<u>Contract Manager</u>") who shall have overall responsibility for coordinating all activities undertaken by such Party hereunder, for acting as a day-to-day contact with the other Party, and for making available to the other Party the data, facilities, resources and other support services required for the performance of the services in accordance with the terms of this Agreement; <u>provided</u> that for each Service, the Contract Manager shall be permitted to delegate

the foregoing responsibilities for such Service to an individual identified on the Schedules, and such representative shall be deemed to be the Contract Manager with respect to such Service. The initial Contract Managers for the Parties are set forth on the applicable <u>Schedules</u>. The Parties may change their respective Contract Managers from time to time upon notice to the other Party in accordance herewith.

## ARTICLE III OTHER ARRANGEMENTS

Section 3.01. Access.

- (a) Upon reasonable advance written notice, SpinCo shall, and shall cause its Subsidiaries to, allow Parent and its Subsidiaries and their respective Representatives reasonable access to the facilities of SpinCo and its Subsidiaries that is necessary for Parent and its Subsidiaries to fulfill their obligations under this Agreement. In addition to the foregoing right of access, SpinCo shall, and shall cause its Subsidiaries to, afford Parent, its Subsidiaries and their respective Representatives, upon reasonable advance written notice, reasonable access during normal business hours to the facilities, Information, systems, infrastructure and personnel of SpinCo and its Subsidiaries as reasonably necessary for Parent to verify the adequacy of internal controls over information technology, reporting of financial data and related processes employed in connection with the Services being provided by SpinCo or its Subsidiaries, including in connection with verifying compliance with Section 404 of the Sarbanes-Oxley Act of 2002; provided that (i) such access shall not unreasonably interfere with any of the business or operations of SpinCo or any of its Subsidiaries and (ii) in the event that SpinCo determines that providing such access could violate any applicable Law or agreement or waive any attorneyclient privilege, then the Parties shall use commercially reasonable efforts to permit such access in a manner that avoids any such consequence. Parent agrees that all of its and its Subsidiaries' employees shall, and that it shall use commercially reasonable efforts to cause its Representatives' employees to, when on the property of SpinCo or its Subsidiaries, or when given access to any facilities, Information, systems, infrastructure or personnel of SpinCo or its Subsidiaries, conform to the policies and procedures of SpinCo and its Subsidiaries, as applicable, concerning health, safety, conduct and security which are made known or provided to Parent from time to time.
- (b) Upon reasonable advance written notice, Parent shall, and shall cause its Subsidiaries to, allow SpinCo and its Subsidiaries and their respective Representatives reasonable access to the facilities of Parent and its Subsidiaries that is necessary for SpinCo and its Subsidiaries to fulfill their obligations under this Agreement. In addition to the foregoing right of access, Parent shall, and shall cause its Subsidiaries to, afford SpinCo, its Subsidiaries and their respective Representatives, upon reasonable advance written notice, reasonable access during normal business hours to the facilities, Information, systems, infrastructure and personnel of Parent and its Subsidiaries as reasonably necessary for SpinCo to verify the adequacy of internal controls over information technology, reporting of financial data and related processes employed in connection with the Services being provided by Parent or its Subsidiaries, including in connection with verifying compliance with Section 404 of the Sarbanes-Oxley Act of 2002; provided that (i) such access shall not unreasonably interfere with any of the business or

operations of Parent or any of its Subsidiaries and (ii) in the event that Parent determines that providing such access could violate any applicable Law or agreement or waive any attorney-client privilege, then the Parties shall use commercially reasonable efforts to permit such access in a manner that avoids any such consequence. SpinCo agrees that all of its and its Subsidiaries' employees shall, and that it shall use commercially reasonable efforts to cause its Representatives' employees to, when on the property of Parent or its Subsidiaries, or when given access to any facilities, Information, systems, infrastructure or personnel of Parent or its Subsidiaries, conform to the policies and procedures of Parent and its Subsidiaries, as applicable, concerning health, safety, conduct and security which are made known or provided to SpinCo from time to time.

#### ARTICLE IV BILLING; TAXES

Setion 4.01. <u>Procedure</u>. Recipient shall pay, or cause to be paid to, Provider the fees for the Services as set forth in this Agreement, including, as applicable, on the <u>Schedules</u>, and, without duplication, all other costs incurred by Provider as set forth in this Agreement. Amounts payable pursuant to this Agreement shall be paid by wire transfer or Automated Clearing House payment (or such other method of payment as may be agreed between the Parties from time to time) to Provider (as directed by Provider), which amounts shall be due (a) in the case of recurring fees, on a quarterly basis on or prior to the first (1st) day of the calendar quarter for which the applicable Service is to be provided, and (b) in the case of all other amounts, within thirty (30) days of Recipient's receipt of each invoice for Charges, including reasonable documentation pursuant to <u>Section 2.03</u>. All amounts due and payable hereunder shall be paid in U.S. dollars. In the event of any billing dispute, Recipient shall promptly pay any undisputed amount.

Section 4.02. <u>Late Payments</u>. Charges not paid when due (including any undisputed amounts) pursuant to this Agreement (and any amounts billed or otherwise invoiced or demanded and properly payable that are not paid within thirty (30) days of the receipt of such bill, invoice or other demand) shall accrue interest at a rate per annum equal to the Prime Rate plus two percent (2%) (the "Interest Payment").

#### Section 4.03. Taxes.

(a) Without limiting any provisions of this Agreement, Recipient shall be responsible for and shall pay any and all excise, sales, use, value-added, goods and services, transfer, stamp, documentary, filing, recordation and other similar Taxes, in each case, imposed or, payable with respect to, or assessed as a result of the provision of Services by Provider or any fees or charges (including any Charges) payable by Recipient pursuant to this Agreement (collectively, "Non-Income Taxes"), but excluding any Taxes measured by reference to net income. The Party required to account for such Non-Income Tax shall provide to the other Party appropriate Tax invoices and, if applicable, evidence of the remittance of the amount of such Non-Income Tax to the relevant Governmental Authority. The Parties shall use commercially reasonable efforts to minimize Non-Income Taxes and to obtain any refund, return, rebate or the like of any Non-Income Tax, including by filing any necessary exemption or other similar forms, certificates or other similar documents, in each case, to the extent legally permissible.

- (b) Notwithstanding anything to the contrary set forth in this Agreement, Recipient shall be entitled to deduct and withhold from any payment to Provider any such Taxes that Recipient is required by any applicable Law to withhold. To the extent any amounts are so deducted and withheld, Recipient shall timely pay when due such deducted and withheld amounts to the proper Governmental Authority and promptly provide to Provider evidence of such payment to such Governmental Authority. The Parties shall use commercially reasonable efforts to minimize withholding Taxes to the extent legally permissible.
- (c) If Provider (i) receives any refund (whether by payment, offset, credit or otherwise) or (ii) utilizes any overpayment, in each case, of Taxes that were borne by Recipient pursuant to this Agreement, then Provider shall promptly pay, or cause to be paid, to Recipient an amount equal to such refund or overpayment, net of any additional Taxes payable by Provider as a result of the receipt of such refund or such overpayment.
- Section 4.04. <u>No Set-Off.</u> Except as mutually agreed in writing by the Parties, no Party nor any of its Affiliates shall have any right of set-off or other similar rights with respect to (a) any amounts received pursuant to this Agreement or (b) any other amounts claimed to be owed to the other Party or any of its Subsidiaries arising out of this Agreement.
- Section 4.05. <u>Audit Rights</u>. Subject to the confidentiality provisions of this Agreement, each Party shall, and shall cause their respective Affiliates to, provide, upon ten (10) days' prior written notice from the other Party, any Information within such Party's or its Affiliates' possession that the requesting Party reasonably requests in connection with any Services being provided to such requesting Party by the other Party or a Third Party service provider, including any applicable invoices or other supporting documentation, and in the case of a Third Party service provider, agreements documenting the arrangements between such Third Party service provider and Provider; <u>provided</u>, <u>however</u>, that each Party shall make no more than one such request during any calendar month. The requesting Party shall reimburse the other Party for any reasonable, documented, out-of-pocket costs incurred in connection with such other Party providing such information.

## ARTICLE V TERM AND TERMINATION

Section 5.01. Term. This Agreement shall commence at the Effective Time and shall terminate upon the earliest to occur of (a) the close of business on the last day of the last Service Period with respect to any Service either Party is obligated to provide to the other Party in accordance with the terms of this Agreement and the Schedules hereto and (b) the mutual written agreement of the Parties to terminate this Agreement in its entirety. Unless otherwise terminated pursuant to Section 4.02, this Agreement shall terminate with respect to each Service as of the close of business on the last day of the Service Period for such Service; provided that Recipient may request to extend any Service Period for any Service to the extent reasonably necessary, in order to continue the operations of the Recipient in a manner consistent with its operations during the Service Baseline Period, by providing written notice to the Provider, specifying the requested length of such extension, no later than fifteen (15) days prior to the scheduled end of the Service Period with respect to such Service. Upon receipt of such extension request, the Provider shall continue to perform such Service for the extended period as

set out in such extension request on the same terms and conditions as are provided on the applicable Schedule and this Agreement; provided, however, that the cost set forth in the applicable Schedule for the applicable Service shall be increased by twenty percent (20%) with respect to any such Service each three (3) month period occurring after the initial Service Period. Without the prior agreement of the Provider, in no event shall the Recipient be entitled to extend a service for a period that is more than three (3) months after the end of the initial Service Period set forth in the applicable Schedule.

#### Section 5.02. <u>Early Termination</u>.

- (a) Without prejudice to Recipient's rights with respect to Force Majeure, Recipient may from time to time terminate this Agreement with respect to the entirety of any Service (but not any portion thereof) (i) for any reason or no reason, upon the giving of at least fifteen (15) days' prior written notice to Provider; provided, however, that such termination (x) may only be effective as of the last day of a calendar month and (y) shall be subject to the obligation to pay any applicable Termination Charges pursuant to Section 5.04, or (ii) if Provider has failed to perform any of its material obligations under this Agreement with respect to such Service, and such failure shall continue to be uncured by Provider for a period of at least thirty (30) days after receipt by Provider of written notice of such failure from Recipient; provided, however, that (i) such termination may only be effective as of the last day of a month and (ii) Recipient shall not be entitled to terminate this Agreement with respect to the applicable Service if, as of the end of such period, there remains a good-faith Dispute between the Parties (undertaken in accordance with the terms of Section 7.16) as to whether Provider has cured the applicable breach.
- (b) Provider may terminate this Agreement with respect to the entirety or portion of any Service at any time upon prior written notice to Recipient, if Recipient has failed to perform any of its material obligations under this Agreement with respect to such Service, including making payment of Charges for such Service when due, and such failure shall continue to be uncured by Recipient for a period of at least thirty (30) days after receipt by Recipient of a written notice of such failure from Provider; provided, however, that Provider shall not be entitled to terminate this Agreement with respect to the applicable Service if, as of the end of such period, there remains a good-faith Dispute between the Parties (undertaken in accordance with the terms of Section 7.16) as to whether Recipient has cured the applicable breach.
- (c) Parent may terminate this Agreement with respect to all Services provided by Parent if there is a SpinCo Change of Control.
  - (d) The Schedules hereto shall be updated to reflect any terminated Service.

Section 5.03. <u>Interdependencies</u>. The Parties acknowledge and agree that (a) there may be interdependencies among the Services being provided under this Agreement; (b) upon the request of either Party, the Parties shall cooperate and act in good faith to determine whether (i) any such interdependencies exist with respect to the particular Service that Recipient is seeking to terminate pursuant to <u>Section 5.02</u>, and (ii) in the case of such termination, Provider's ability to provide a particular Service in accordance with this Agreement would be materially and adversely affected by such termination of another Service; and (c) in the event

that the Parties have determined that such interdependencies exist and such termination would materially and adversely affect Provider's ability to provide a particular Service in accordance with this Agreement, the Parties shall (i) negotiate in good faith to amend the Schedules hereto with respect to such impacted Service prior to such termination, which amendment shall be consistent with the terms of comparable Services, and (ii) if after such negotiation, the Parties are unable to agree on such amendment, Provider's obligation to provide such Service shall terminate automatically with such termination.

Section 5.04. <u>Effect of Termination</u>. Upon the termination of any Service pursuant to this Agreement, Provider shall have no further obligation to provide the terminated Service, and Recipient shall have no obligation to pay any future Charges relating to such Service; <u>provided</u>, <u>however</u>, that Recipient shall remain obligated to Provider for (a) the Charges owed and payable in respect of Services provided prior to the effective date of termination for such Service and (b) any applicable Termination Charges (which Termination Charges shall be payable only in the event that Recipient terminates any Service pursuant to <u>Section 5.02(a)(i)</u>). In connection with the termination of any Service, the provisions of this Agreement not relating solely to such terminated Service shall survive any such termination, and in connection with a termination of this Agreement, <u>Article V</u>, <u>Article VII</u> and <u>Article VIII</u>, all confidentiality obligations under this Agreement and Liability for all due and unpaid Charges and Termination Charges shall continue to survive indefinitely.

Section 5.05. <u>Information Transmission</u>. Provider, on behalf of itself and its Subsidiaries, shall use commercially reasonable efforts to provide or make available, or cause to be provided or made available, to Recipient, in accordance with Section 6.1 of the Separation and Distribution Agreement and to the extent permissible, any Information received or computed by Provider for the benefit of Recipient concerning the relevant Service during the Service Period as reasonably requested by Recipient; <u>provided, however</u>, that, except as otherwise agreed in writing by the Parties, (a) Provider shall not have any obligation to provide, or cause to be provided, Information in any nonstandard format, (b) Provider and its Subsidiaries shall be reimbursed for their reasonable costs in accordance with Section 6.3 of the Separation and Distribution Agreement for creating, gathering, copying, transporting and otherwise providing such Information and (c) Provider shall use commercially reasonable efforts to maintain any such Information in accordance with Section 6.4 of the Separation and Distribution Agreement.

### ARTICLE VI CONFIDENTIALITY; PROTECTIVE ARRANGEMENTS

Section 6.01. Parent and SpinCo Obligations. Subject to Section 6.04, until the five (5)-year anniversary of the date of the termination of this Agreement in its entirety, each of Parent and SpinCo, on behalf of itself and each of its Subsidiaries, agrees to hold, and to cause its respective Representatives to hold, in strict confidence, with at least the same degree of care that applies to Parent's Confidential Information pursuant to policies in effect as of the Effective Time, all Confidential Information concerning the other Party or its Subsidiaries or their respective businesses that is either in its possession (including Confidential Information in its possession prior to the date hereof) or furnished by such other Party or such other Party's Subsidiaries or their respective Representatives at any time pursuant to this Agreement, and shall

not use any such Confidential Information other than for such purposes as may be expressly permitted hereunder, except, in each case, to the extent that such Confidential Information (a) is in the public domain or is generally available to the public, other than as a result of a disclosure by such Party or any of its Subsidiaries or any of their respective Representatives in violation of this Agreement; (b) is lawfully acquired from other sources by such Party or any of its Subsidiaries, which sources are not themselves known by such Party or any of its Subsidiaries to be bound by a confidentiality obligation or other contractual, legal or fiduciary obligation of confidentiality with respect to such Confidential Information; or (c) is independently developed or generated without reference to or use of the Confidential Information of the other Party or any of its Subsidiaries. If any Confidential Information of a Party or any of its Subsidiaries is disclosed to the other Party or any of its Subsidiaries in connection with providing the Services, then such disclosed Confidential Information shall be used only as required to perform such Services.

Section 6.02. No Release; Return or Destruction. Each Party agrees (a) not to release or disclose, or permit to be released or disclosed, any Confidential Information of the other Party pursuant to Section 6.01 to any other Person, except its Representatives who need to know such Confidential Information in their capacities as such (who shall be advised of their obligations hereunder with respect to such Confidential Information) and except in compliance with Section 6.04, and (b) to use commercially reasonable efforts to maintain such Confidential Information in accordance with Section 6.4 of the Separation and Distribution Agreement. Without limiting the foregoing, when any such Confidential Information is no longer needed for the purposes contemplated by the Separation and Distribution Agreement, this Agreement or any other Ancillary Agreements, each Party will promptly after request of the other Party either return to the other Party all such Confidential Information in a tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or notify the other Party in writing that it has destroyed such information (and such copies thereof and such notes, extracts or summaries based thereon); provided that the Parties may retain electronic back-up versions of such Confidential Information maintained on routine computer system back-up tapes, disks or other back-up storage devices; and provided, further, that any such retained back-up information shall remain subject to the confidentiality provisions of this Agreement.

Section 6.03. <u>Privacy and Data Protection Laws</u>. Each Party shall comply with all applicable state, federal and foreign privacy and data protection Laws that are or that may in the future be applicable to the provision of the Services under this Agreement.

Section 6.04. Protective Arrangements. In the event that a Party or any of its Subsidiaries either determines on the advice of its counsel that it is required to disclose any information pursuant to applicable Law or receives any request or demand under lawful process or from any Governmental Authority to disclose or provide information of the other Party (or any of its Subsidiaries) that is subject to the confidentiality provisions hereof, such Party shall notify the other Party (to the extent legally permitted) as promptly as practicable under the circumstances prior to disclosing or providing such information and shall cooperate, at the expense of the other Party, in seeking any appropriate protective order requested by the other Party. In the event that such other Party fails to receive such appropriate protective order in a timely manner and the Party receiving the request or demand reasonably determines that its

failure to disclose or provide such information shall actually prejudice the Party receiving the request or demand, then the Party that received such request or demand may thereafter disclose or provide information to the extent required by such Law (as so advised by its counsel) or by lawful process or such Governmental Authority, and the disclosing Party shall promptly provide the other Party with a copy of the information so disclosed, in the same form and format so disclosed, together with a list of all Persons to whom such information was disclosed, in each case to the extent legally permitted.

# ARTICLE VII LIMITED LIABILITY AND INDEMNIFICATION

Section 7.01. Limitations on Liability.

- (a) SUBJECT TO <u>SECTION 7.02</u> AND EXCEPT FOR THE FAILURE TO PAY FOR SERVICES, THE TOTAL LIABILITIES OF EITHER PARTY AND ITS SUBSIDIARIES AND THEIR RESPECTIVE REPRESENTATIVES, COLLECTIVELY, UNDER THIS AGREEMENT FOR ANY ACT OR FAILURE TO ACT IN CONNECTION HEREWITH (INCLUDING THE PERFORMANCE OR BREACH OF THIS AGREEMENT), OR FROM THE SALE, DELIVERY, PROVISION OR USE OF ANY SERVICES PROVIDED UNDER OR CONTEMPLATED BY THIS AGREEMENT, WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY) OR OTHERWISE, SHALL NOT EXCEED 100% OF THE AGGREGATE CHARGES PAID AND PAYABLE UNDER THIS AGREEMENT TO SUCH PARTY IN RESPECT OF SERVICES PROVIDED BY SUCH PARTY UNDER THIS AGREEMENT.
- (b) IN NO EVENT SHALL EITHER PARTY, ITS SUBSIDIARIES OR THEIR RESPECTIVE REPRESENTATIVES BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, INCIDENTAL, PUNITIVE, EXEMPLARY, REMOTE, SPECULATIVE OR SIMILAR DAMAGES IN EXCESS OF COMPENSATORY DAMAGES OF THE OTHER PARTY IN CONNECTION WITH THE PERFORMANCE OF THIS AGREEMENT (OTHER THAN ANY SUCH LIABILITY WITH RESPECT TO A THIRD-PARTY CLAIM), AND EACH PARTY HEREBY WAIVES ON BEHALF OF ITSELF, ITS SUBSIDIARIES AND ITS REPRESENTATIVES ANY CLAIM FOR SUCH DAMAGES, WHETHER ARISING IN CONTRACT, TORT OR OTHERWISE.
- (c) The limitations in Section 7.01(a) and Section 7.01(b) shall not apply in respect of any Liability arising out of or in connection with (i) either Party's Liability for breaches of confidentiality under Article V, (ii) the Parties' respective obligations under Section 7.03 or (iii) the willful misconduct or fraud of or by the Party to be charged.

Section 7.02. <u>Obligation to Re-Perform; Liabilities</u>. In the event of any breach of this Agreement by Provider with respect to the provision of any Services (with respect to which Provider can reasonably be expected to re-perform in a commercially reasonable manner), Provider shall, at the request of Recipient, promptly correct in all material respects such error, defect or breach or re-perform in all material respects such Services at the sole cost and expense of Provider. Notwithstanding anything herein to the contrary, the remedy set forth in this <u>Section 7.02</u> shall be the sole and exclusive remedy of Recipient for any such breach of this

Agreement; <u>provided</u>, <u>however</u>, that the foregoing shall not prohibit Recipient from exercising its right to terminate this Agreement in accordance with the provisions of <u>Section 5.02(a)</u> or to seek specific performance in accordance with <u>Section 8.17</u>. Any request for re-performance in accordance with this <u>Section 7.02</u> by Recipient must be in writing and specify in reasonable detail the particular error, defect or breach, and such request must be made no more than one month from the later of (a) the date on which such breach occurred and (b) the date on which such breach was reasonably discovered by Recipient.

Section 7.03. Third-Party Claims. In addition to (but not in duplication of) its other indemnification obligations (if any) under the Separation and Distribution Agreement, this Agreement or any other Ancillary Agreement, Recipient shall indemnify, defend and hold harmless Provider, its Subsidiaries and each of their respective Representatives, and each of the successors and assigns of any of the foregoing (collectively, the "Provider Indemnitees"), from and against any and all claims of Third Parties relating to, arising out of or resulting from Recipient's use or receipt of the Services provided by Provider hereunder, other than Third-Party Claims to the extent arising out of the gross negligence, willful misconduct or fraud of any Provider Indemnitee.

Section 7.04. Provider Indemnity. Subject to the limitations in Section 7.01(a) and Section 7.01(b), in addition to (but not in duplication of) its other indemnification obligations (if any) under the Separation and Distribution Agreement, this Agreement or any other Ancillary Agreement, Provider shall indemnify, defend and hold harmless Recipient and its Subsidiaries, and each of the successors and assigns of any of the foregoing (collectively, the "Recipient Indemnitees"), from and against any and all Liabilities to the extent relating to, arising out of or resulting from the sale, delivery or provision of any Services provided by Provider hereunder, but only to the extent that such Liability relates to, arises out of or results from Provider's gross negligence, bad faith, willful misconduct or fraud with respect to the sale, delivery or provision of any Services provided by Provider hereunder.

Section 7.05. Recipient Indemnity. Subject to the limitations in Section 7.01(a) and Section 7.01(b), in addition to (but not in duplication of) its other indemnification obligations (if any) under the Separation and Distribution Agreement, this Agreement or any other Ancillary Agreement, Recipient shall indemnify, defend and hold harmless Provider Indemnitees, from and against any and all Liabilities to the extent relating to, arising out of or resulting from the sale, delivery or provision of any Services provided by Provider hereunder, but only to the extent that such Liability relates to, arises out of or results from Recipient's gross negligence, bad faith, willful misconduct or fraud with respect to the sale, delivery or provision of any Services provided by Provider hereunder.

Section 7.06. <u>Indemnification Procedures</u>. The procedures for indemnification set forth in Sections 4.5, 4.6 and 4.7 of the Separation and Distribution Agreement shall govern claims for indemnification under this Agreement.

#### ARTICLE VIII MISCELLANEOUS

Section 8.01. <u>Mutual Cooperation</u>. Each Party shall, and shall cause its Subsidiaries to, cooperate with the other Party and its Subsidiaries in connection with the performance of the Services hereunder; <u>provided</u>, <u>however</u>, that such cooperation shall not unreasonably disrupt the normal operations of such Party or its Subsidiaries; and, <u>provided</u>, <u>further</u>, that this <u>Section 8.01</u> shall not require such Party to incur any out-of-pocket costs or expenses, unless and except as expressly provided in this Agreement or otherwise agreed in writing by the Parties.

Section 8.02. <u>Further Assurances</u>. Subject to the terms of this Agreement, each Party shall take, or cause to be taken, any and all reasonable actions, including the execution, acknowledgment, filing and delivery of any and all documents and instruments that any other Party may reasonably request in order to effect the intent and purpose of this Agreement and the transactions contemplated hereby.

Section 8.03. <u>Audit Assistance</u>. Each of the Parties and their respective Subsidiaries are or may be subject to regulation and audit by a Governmental Authority (including a Taxing Authority), standards organizations, customers or other parties to contracts with such Parties or their respective Subsidiaries under applicable Law, standards or contract provisions. If a Governmental Authority, standards organization, customer or other party to a contract with a Party or its Subsidiary exercises its right to examine or audit such Party's or its Subsidiary's books, records, documents or accounting practices and procedures pursuant to such applicable Law, standards or contract provisions, and such examination or audit relates to the Services, then the other Party shall provide, at the sole cost and expense of the requesting Party, all assistance reasonably requested by the Party that is subject to the examination or audit in responding to such examination or audits or requests for Information, to the extent that such assistance or Information is within the reasonable control of the cooperating Party and is related to the Services.

Section 8.04. <u>Title to Intellectual Property</u>. Except as expressly provided for under the terms of this Agreement, the Separation and Distribution Agreement or the Intellectual Property License Agreement, Recipient acknowledges that it shall acquire no right, title or interest (including any license rights or rights of use) in any intellectual property that is owned or licensed by Provider, by reason of the provision of the Services hereunder. Recipient shall not remove or alter any copyright, trademark, confidentiality or other proprietary notices that appear on any intellectual property owned or licensed by Provider, and Recipient shall reproduce any such notices on any and all copies thereof. Recipient shall not attempt to decompile, translate, reverse engineer or make excessive copies of any intellectual property owned or licensed by Provider, and Recipient shall promptly notify Provider of any such attempt, regardless of whether by Recipient or any Third Party, of which Recipient becomes aware.

Section 8.05. <u>Independent Contractors</u>. The Parties each acknowledge and agree that they are separate entities, each of which has entered into this Agreement for independent business reasons. The relationships of the Parties hereunder are those of independent contractors and nothing contained herein shall be deemed to create a joint venture,

partnership or any other relationship between the Parties. Employees performing Services hereunder do so on behalf of, under the direction of, and as employees of, Provider, and Recipient shall have no right, power or authority to direct such employees, unless otherwise specified with respect to a particular Service on the Schedules hereto.

#### Section 8.06. <u>Counterparts; Entire Agreement; Corporate Power</u>.

- (a) This Agreement may be executed in one (1) or more counterparts, all of which shall be considered one (1) and the same agreement, and shall become effective when one (1) or more counterparts have been signed by each of the Parties and delivered to the other Party.
- (b) This Agreement, the Separation and Distribution Agreement and the other Ancillary Agreements and the Exhibits, Schedules and appendices hereto and thereto contain the entire agreement between the Parties with respect to the subject matter hereof, supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter, and there are no agreements or understandings between the Parties other than those set forth or referred to herein or therein. This Agreement, the Separation and Distribution Agreement, and the other Ancillary Agreements govern the arrangements in connection with the Separation and the Distribution and would not have been entered independently.
- (c) Parent represents on behalf of itself and, to the extent applicable, each of its Subsidiaries, and SpinCo represents on behalf of itself and, to the extent applicable, each of its Subsidiaries, as follows:
- (i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby; and
- (ii) this Agreement has been duly executed and delivered by it and constitutes a valid and binding agreement of it and is enforceable in accordance with the terms hereof.
- (d) Each Party acknowledges and agrees that delivery of an executed counterpart of a signature page to this Agreement (whether executed by manual, stamp or mechanical signature) by facsimile or by e-mail in portable document format (PDF) shall be effective as delivery of such executed counterpart of this Agreement. Each Party expressly adopts and confirms each such facsimile, stamp or mechanical signature (regardless of whether delivered in person, by mail, by courier, by facsimile or by e-mail in portable document format (PDF)) made in its respective name as if it were a manual signature delivered in person, agrees that it will not assert that any such signature or delivery is not adequate to bind such Party to the same extent as if it were signed manually and delivered in person and agrees that, at the reasonable request of the other Party at any time, it will as promptly as reasonably practicable cause this Agreement to be manually executed (any such execution to be as of the date of the initial date thereof) and delivered in person, by mail or by courier.
- Section 8.07. <u>Governing Law</u>. This Agreement (and any claims or disputes arising out of or related hereto or to the transactions contemplated hereby or to the inducement of

any Party to enter herein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall be governed by and construed and interpreted in accordance with the Laws of the State of Delaware, irrespective of the choice of Laws principles of the State of Delaware, including all matters of validity, construction, effect, enforceability, performance and remedies.

Section 8.08. Assignability. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided, however, that neither Party may assign its rights or delegate its obligations under this Agreement without the express prior written consent of the other Party. Notwithstanding the foregoing, no such consent shall be required for the assignment of a Party's rights and obligations under the Separation and Distribution Agreement, this Agreement and the other Ancillary Agreements in whole (i.e., the assignment of a Party's rights and obligations under the Separation and Distribution Agreement, this Agreement and all of the other Ancillary Agreements all at the same time) in connection with a merger, consolidation or other business combination of a Party with or into any other Person or a sale of all or substantially all of the assets of a Party to another Person, in each case so long as the resulting, surviving or acquiring Person assumes all of the obligations of the relevant Party by operation of Law or pursuant to an agreement in form and substance reasonably satisfactory to the other Party; provided, further, that, in connection with the acquisition by a purchaser of all or a significant portion of a business unit of Parent or its Affiliates, whether such acquisition is effected by a share purchase or sale of assets, Parent may assign its rights and obligations, in whole or in part, under this Agreement to such purchaser upon the consummation of such acquisition.

Section 8.09. <u>Third-Party Beneficiaries</u>. Except as provided in <u>Article VII</u> with respect to the Provider Indemnitees and the Recipient Indemnitees in their respective capacities as such, (a) the provisions of this Agreement are solely for the benefit of the Parties and are not intended to confer upon any other Person except the Parties any rights or remedies hereunder; and (b) there are no other third-party beneficiaries of this Agreement and this Agreement shall not provide any other Third Party with any remedy, claim, Liability, reimbursement, claim of action or other right.

Section 8.10. <u>Notices</u>. All notices, requests, claims, demands or other communications under this Agreement shall be in writing and shall be given or made (and except as provided herein shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by certified mail, return receipt requested, by facsimile, or by electronic mail ("<u>e-mail</u>"), so long as confirmation of receipt of such e-mail is requested and

received, to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this <u>Section 8.10</u>):

If to Parent, to:

XPO Logistics, Inc.

Five American Lane

Greenwich, CT 06831

Attention: Deputy Chief Financial Officer, Ravi Tulsyan

E-mail: ravi.tulsyan@xpo.com

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

Wachtell, Lipton, Rosen & Katz

51 West 52nd Street

New York, NY 10019

Attention: Adam O. Emmerich, Esq.

Viktor Sapezhnikov, Esq.

E-mail: AOEmmerich@wlrk.com

VSapezhnikov@wlrk.com

If to SpinCo, to:

GXO Logistics, Inc.

Two American Lane

Greenwich, CT 06831

Attention: Chief Legal Officer, Karlis Kirsis

E-mail: Karlis.Kirsis@gxo.com

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

Wachtell, Lipton, Rosen & Katz

51 West 52nd Street

New York, NY 10019

Attention: Adam O. Emmerich, Esq.

Viktor Sapezhnikov, Esq.

E-mail: AOEmmerich@wlrk.com

VSapezhnikov@wlrk.com

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Any Party may, by notice to the other Party, change the address to which such notices are to be given.

Section 8.11. Severability. If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the Parties.

Section 8.12. Force Majeure. No Party shall be deemed in default of this Agreement for any delay or failure to fulfill any obligation hereunder so long as and to the extent to which any delay or failure in the fulfillment of such obligations is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. Without limiting the termination rights contained in this Agreement, in the event of any such excused delay, the time for performance shall be extended for a period equal to the time lost by reason of the delay. A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such Force Majeure, (a) provide written notice to the other Party of the nature and extent of such Force Majeure; and (b) use commercially reasonable efforts to remove any such causes and resume performance under this Agreement as soon as reasonably practicable (and in no event later than the date that the affected Party resumes analogous performance under any other agreement for itself, its Affiliates or any Third Party), unless this Agreement has previously been terminated under Article V or this Section 8.12. Recipient shall be (i) relieved of the obligation to pay Charges for the affected Service(s) throughout the duration of such Force Majeure and (ii) entitled to permanently terminate such Service(s) if the delay or failure in providing such Services because of a Force Majeure shall continue to exist for more than thirty (30) consecutive days (it being understood that Recipient shall not be required to provide any advance notice of such termination to Provider).

Section 8.13. <u>Headings</u>. The Article, Section and Paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 8.14. <u>Survival of Covenants</u>. Except as expressly set forth in this Agreement, the covenants, representations and warranties and other agreements contained in this Agreement, and Liability for the breach of any obligations contained herein, shall survive the Effective Time and shall remain in full force and effect thereafter.

Section 8.15. <u>Waivers of Default</u>. Waiver by any Party of any default by the other Party of any provision of this Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default, nor shall it prejudice the rights of the waiving Party. No failure or delay by any Party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall a single or partial exercise thereof prejudice any other right or further exercise thereof or the exercise of any other right, power or privilege.

#### Section 8.16. <u>Dispute Resolution</u>.

- (a) In the event of any controversy, dispute or claim (a "<u>Dispute</u>") arising out of or relating to any Party's rights or obligations under this Agreement (whether arising in contract, tort or otherwise), calculation or allocation of the costs of any Service or otherwise arising out of or relating in any way to this Agreement (including the interpretation or validity of this Agreement), such Dispute shall be resolved by submitting such Dispute first to the relevant Contract Manager of each Party, and the Contract Managers shall seek to resolve such Dispute through informal good faith negotiation. In the event that the Contract Managers fail to meet or, if they meet and fail to resolve a Dispute within twenty (20) Business Days, then either Party may pursue the remedy set forth in <u>Section 8.16(b)</u>.
- (b) If the procedures set forth in <u>Section 8.16(a)</u> have been followed with respect to a Dispute and such Dispute remains unresolved, such Dispute shall be resolved in accordance with the dispute resolution process referred to in Article VII of the Separation and Distribution Agreement.
- (c) In any Dispute regarding the amount of a Charge or a Termination Charge, if such Dispute is finally resolved pursuant to the dispute resolution process set forth or referred to in Section 8.16(a) and (b) and it is determined that the Charge or the Termination Charge, as applicable, that Provider has invoiced Recipient, and that Recipient has paid to Provider, is greater or less than the amount that the Charge or the Termination Charge, as applicable, should have been, then (i) if it is determined that Recipient has overpaid the Charge or the Termination Charge, as applicable, Provider shall within ten (10) calendar days after such determination reimburse Recipient an amount of cash equal to such overpayment, plus the Interest Payment, accruing from the date of payment by Recipient to the time of reimbursement by Provider; and (ii) if it is determined that Recipient has underpaid the Charge or the Termination Charge, as applicable, Recipient shall within ten (10) calendar days after such determination reimburse Provider an amount of cash equal to such underpayment, plus the Interest Payment, accruing from the date such payment originally should have been made by Recipient to the time of payment by Recipient.

Section 8.17. Specific Performance. Subject to Section 8.16, the Parties agree that if any of the provisions of this Agreement were not to be performed or threatened not to be performed as required by their specific terms or were to be otherwise breached, irreparable damage will occur, no adequate remedy at law would exist and damages would be difficult to determine, and that each Party shall be entitled to an injunction or injunctions to prevent breaches or threatened breaches, and to specific performance of the terms, of this Agreement, in addition to any other remedy at law or equity. Any requirements for the securing or posting of any bond with such remedy are hereby waived by each of the Parties. Unless otherwise agreed in writing, Provider shall continue to provide Services and the Parties shall honor all other commitments under this Agreement during the course of dispute resolution pursuant to the provisions of Section 8.16 and this Section 8.17 with respect to all matters not subject to such Dispute; provided, however, that this obligation shall only exist during the term of this Agreement.

Section 8.18. <u>Amendments</u>. This Agreement may not be modified or amended except by an instrument in writing signed on behalf of each of the Parties. By an instrument in writing, Purchaser, on the one hand, or Parent, on the other hand, may waive compliance by the other with any term or provision of this Agreement that the other Party or Parties 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 8.19. <u>Precedence of Schedules</u>. Each Schedule attached to or referenced in this Agreement is hereby incorporated into and shall form a part of this Agreement; <u>provided</u>, <u>however</u>, that the terms contained in such Schedule shall only apply with respect to the Services provided under that Schedule. In the event of a conflict between the terms contained in an individual Schedule and the terms in the body of this Agreement, the terms in the Schedule shall take precedence with respect to the Services under such Schedule only. No terms contained in individual Schedules shall otherwise modify the terms of this Agreement.

Section 8.20. Interpretation. In this Agreement, (a) words in the singular shall be deemed to include the plural and vice versa and words of one gender shall be deemed to include the other genders as the context requires; (b) the terms "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all of the Schedules, Annexes and Exhibits hereto) and not to any particular provision of this Agreement; (c) Article, Section, Exhibit, Annex and Schedule references are to the Articles, Sections, Exhibits, Annexes and Schedules to this Agreement, unless otherwise specified; (d) unless otherwise stated, all references to any agreement shall be deemed to include the exhibits, schedules and annexes to such agreement; (e) the word "including" and words of similar import when used in this Agreement shall mean "including, without limitation," unless otherwise specified; (f) the word "or" need not be exclusive; (g) unless otherwise specified in a particular case, the word "days" refers to calendar days; (h) references to "business day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions are generally authorized or required by Law to close in New York, New York; (i) references herein to this Agreement or any other agreement contemplated herein shall be deemed to refer to this Agreement or such other agreement as of the date on which it is executed and as it may be amended, modified or supplemented thereafter, unless otherwise specified; and (j) unless expressly stated to the contrary in this Agreement, all references to "the date hereof," "the date of this Agreement" and "hereby" and words of similar import shall all be references to [], 2021.

Section 8.21. <u>Mutual Drafting</u>. This Agreement shall be deemed to be the joint work product of the Parties and any rule of construction that a document shall be interpreted or construed against a drafter of such document shall not be applicable to this Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly

[Signature Page to Transition Services Agreement]

# FORM OF TAX MATTERS AGREEMENT BY AND AMONG XPO LOGISTICS, INC. AND

**GXO LOGISTICS, INC.** 

**DATED AS OF \_\_\_\_, 2021** 



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#### TAX MATTERS AGREEMENT

This TAX MATTERS AGREEMENT, dated as of \_\_\_\_, 2021 (this "<u>Agreement</u>"), is by and among XPO Logistics, Inc., a Delaware corporation ("<u>XPO</u>"), and GXO Logistics, Inc., a Delaware corporation and a wholly owned subsidiary of XPO ("<u>SpinCo</u>") (collectively, the "<u>Companies</u>" and each a "<u>Company</u>").

#### RECITALS

WHEREAS, XPO and SpinCo have entered into a Separation and Distribution Agreement, dated as of \_\_\_\_, 2021 (the "Separation and Distribution Agreement"), providing for (i) the separation of the SpinCo Group from the XPO Group (the "Separation") and, following the Separation, (i) the distribution, on a *pro rata* basis, to holders of XPO Shares on the Record Date of all the outstanding SpinCo Shares (the "Distribution");

WHEREAS, pursuant to the terms of the Separation and Distribution Agreement, among other things, XPO has taken or will take the following actions: (a) (i) contribute the SpinCo Assets to SpinCo and cause SpinCo to assume the SpinCo Liabilities, in actual or constructive exchange for (A) the issuance by SpinCo to XPO of SpinCo Shares and (B) the transfer by SpinCo to XPO of cash, including some or all of the proceeds of the SpinCo Financing Arrangements (the "SpinCo Cash Proceeds" and such contribution, the "Contribution") and (ii) transfer the SpinCo Cash Proceeds to one or more third-party creditors of XPO (the "XPO Debt Repayment") in connection with the Plan of Reorganization; and (b) effect the Distribution;

WHEREAS, for Federal Income Tax purposes, it is intended that each of the Internal Distributions and the Distribution (together with the SpinCo Contribution) shall qualify as a transaction that is generally tax-free pursuant to Section 355(a) (or Sections 355(a) and 368(a)(1)(D)) of the Code;

WHEREAS, as of the date hereof, XPO is the common parent of an affiliated group (as defined in Section 1504 of the Code) of corporations, including SpinCo, which has elected to file consolidated Federal Income Tax Returns;

WHEREAS, as a result of the Distribution, SpinCo and its subsidiaries will cease to be members of the affiliated group of which XPO is the common parent (the "SpinCo Deconsolidation");

WHEREAS, the Parties desire to provide for and agree upon the allocation between the Parties of liabilities for Taxes arising prior to, as a result of, and subsequent to the Distribution, and to provide for and agree upon other matters relating to Taxes;

NOW THEREFORE, in consideration of the mutual agreements contained herein, the Parties hereby agree as follows:

**Section 1. Definition of Terms**. For purposes of this Agreement (including the recitals hereof), the following terms have the following meanings, and capitalized terms



used but not otherwise defined herein shall have the meaning ascribed to them in the Separation and Distribution Agreement:

- "Adjustment Request" shall mean any formal or informal claim or request filed with any Tax Authority, or with any administrative agency or court, for the adjustment, refund, or credit of Taxes, including (a) any amended Tax Return claiming adjustment to the Taxes as reported on the Tax Return or, if applicable, as previously adjusted, (b) any claim for equitable recoupment or other offset, and (c) any claim for refund or credit of Taxes previously paid.
- "Agreement" shall mean this Tax Matters Agreement.
- "Capital Stock" shall mean all classes or series of capital stock, including (a) common stock, (b) all options, warrants and other rights to acquire such capital stock and (c) all instruments properly treated as stock for Federal Income Tax purposes.
- "Code" shall mean the Internal Revenue Code of 1986, as amended.
- "Companies" and "Company" shall have the meaning provided in the first sentence of this Agreement.
- "Compensatory Equity Interests" shall have the meaning set forth in Section 6.02(a).
- "Contribution" shall have the meaning set forth in the Recitals.
- "<u>Debt Reallocation</u>" shall mean (a) any actual or deemed assumption of XPO debt by SpinCo in connection with the Contribution, (b) the receipt by XPO of the SpinCo Cash Proceeds, and (c) the XPO Debt Repayment.
- "<u>Deconsolidation Date</u>" shall mean the last day on which SpinCo qualifies as a member of the affiliated group (as defined in Section 1504 of the Code) of which XPO is the common parent.
- "DGCL" shall mean the Delaware General Corporation Law.
- "<u>Distribution</u>" shall have the meaning provided in the Recitals.
- "External Separation Transaction" shall mean each of (a) the Contribution and the Distribution and (b) the Debt Reallocation.
- "Federal Income Tax" shall mean any Tax imposed by Subtitle A of the Code, and any interest, penalties, additions to tax, or additional amounts in respect of the foregoing.
- "Federal Other Tax" shall mean any Tax imposed by the federal government of the United States other than any Federal Income Taxes, and any interest, penalties, additions to tax, or additional amounts in respect of the foregoing.
- "<u>Fifty-Percent or Greater Interest</u>" shall have the meaning ascribed to such term for purposes of Sections 355(d) and (e) of the Code.

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

"Foreign Income Tax" shall mean any Tax imposed by any foreign country or any possession of the United States, or by any political subdivision of any foreign country or United States possession, which is an income tax as defined in Treasury Regulations Section 1.901-2, and any interest, penalties, additions to tax, or additional amounts in respect of the foregoing.

"Foreign Other Tax" shall mean any Tax imposed by any foreign country or any possession of the United States, or by any political subdivision of any foreign country or United States possession, other than any Foreign Income Taxes, and any interest, penalties, additions to tax, or additional amounts in respect of the foregoing.

"Foreign Separations" shall mean the internal restructuring transactions intended to effect the separation of (a) the XPO Assets and XPO Liabilities from the SpinCo Assets and SpinCo Liabilities, and/or (b) the SpinCo Assets and SpinCo Liabilities from the XPO Assets and XPO Liabilities, in each case, held by certain subsidiaries of XPO organized in jurisdictions outside of the United States (including through the transfer of equity interests in any such subsidiary).

"Foreign Tax" shall mean any Foreign Income Taxes or Foreign Other Taxes.

"Foreign Tax-Free Status" shall mean, with respect to (a) each of the Foreign Separations, the qualification thereof for non-recognition of income or gain (or similar treatment) for Foreign Income Tax purposes under the laws of the relevant foreign jurisdiction and (b) any Foreign Separation that is covered by a Tax Opinion or other written guidance addressing the Foreign Tax treatment thereof, the qualification of such transaction for the Foreign Tax treatment set forth in such Tax Opinion or other written guidance.

"Former SpinCo Group Employee" shall have the meaning set forth in the Employee Matters Agreement.

- "Former XPO Group Employee" shall have the meaning set forth in the Employee Matters Agreement.
- "French Tax Combined Group Exit Agreement" refers to the exit agreement (convention de sortie d'intégration fiscale) to be entered into between one or more members of the SpinCo Group and one or more members of the XPO Group providing for the consequences of the exit of certain members of the XPO Group from the SpinCo French Combined Group.
- "Governmental Authority" shall have the meaning set forth in the Separation and Distribution Agreement.
- "Group" shall mean the XPO Group or the SpinCo Group, as the context requires.
- "Income Tax" shall mean any Federal Income Tax, State Income Tax or Foreign Income Tax.
- "Internal Distribution" shall mean each separation of (a) the XPO Assets and XPO Liabilities from the SpinCo Assets and SpinCo Liabilities, and/or (b) the SpinCo Assets and SpinCo Liabilities from the XPO Assets and XPO Liabilities, in each case, (i) held by certain subsidiaries of XPO and (ii) in a transaction intended to qualify, for Federal Income Tax purposes, as a distribution that is generally tax-free pursuant to Section 355(a) (or Sections 355(a) and 368(a)(1)(D)) of the Code.
- "IRS" shall mean the U.S. Internal Revenue Service.
- "Joint Adjustment" shall mean any proposed adjustment by a Tax Authority or claim for refund asserted in a Tax Contest that is not a SpinCo Adjustment or a XPO Adjustment.
- "Joint Return" shall mean any Return of a member of the XPO Group or the SpinCo Group that is not a Separate Return.
- "Notified Action" shall have the meaning set forth in Section 7.04(a).
- "Other Tax" shall mean any Federal Other Tax, State Other Tax, or Foreign Other Tax.
- "Parties" shall mean the parties to this Agreement.
- "Past Practices" shall have the meaning set forth in Section 4.05(a).
- "Payment Date" shall mean (a) with respect to any XPO Federal Consolidated Income Tax Return, the due date for any required installment of estimated Taxes determined under Section 6655 of the Code, the due date (determined without regard to extensions) for filing the Tax Return determined under Section 6072 of the Code, and the date the Tax Return is filed, and (b) with respect to any other Tax Return, the corresponding dates determined under applicable Tax Law; in each case, taking into account any automatic or validly elected extensions, deferrals or postponements of the due date for payment of any such estimated Taxes or any Tax shown on such Tax Return, as applicable.
- "Payor" shall have the meaning set forth in Section 5.02(a).

"Person" shall mean any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization or a Governmental Authority or any department, agency or political subdivision thereof, without regard to whether any entity is treated as disregarded for Federal Income Tax purposes.

"Plan of Reorganization" shall have the meaning set forth in the Separation and Distribution Agreement.

"<u>Post-Deconsolidation Period</u>" shall mean any Tax Period beginning after the Deconsolidation Date, and, in the case of any Straddle Period, the portion of such Straddle Period beginning the day after the Deconsolidation Date.

"<u>Pre-Deconsolidation Period</u>" shall mean any Tax Period ending on or prior to the Deconsolidation Date, and, in the case of any Straddle Period, the portion of such Straddle Period ending on the Deconsolidation Date.

"Prime Rate" shall have the meaning set forth in the Separation and Distribution Agreement.

"Privilege" shall mean any privilege that may be asserted under applicable law, including, any privilege arising under or relating to the attorney-client relationship (including the attorney-client and work product privileges), the accountant-client privilege and any privilege relating to internal evaluation processes.

"Proposed Acquisition Transaction" shall mean, with respect to SpinCo, a transaction or series of transactions (or any agreement, understanding or arrangement, within the meaning of Section 355(e) of the Code and Treasury Regulations Section 1.355-7, or any other Treasury Regulations promulgated thereunder, to enter into a transaction or series of transactions), whether such transaction is supported by the management or shareholders of SpinCo, is a hostile acquisition, or otherwise, as a result of which SpinCo would merge or consolidate with any other Person or as a result of which any Person or Persons would (directly or indirectly) acquire, or have the right to acquire, from SpinCo and/or one or more holders of outstanding shares of Capital Stock of SpinCo, a number of shares of Capital Stock of SpinCo that would, when combined with any other changes in ownership of Capital Stock of SpinCo pertinent for purposes of Section 355(e) of the Code, comprise 45% or more of (a) the value of all outstanding shares of Capital Stock of SpinCo as of the date of such transaction, or in the case of a series of transactions, the date of the last transaction of such series, or (b) the total combined voting power of all outstanding shares of voting stock of SpinCo as of the date of such transaction, or in the case of a series of transactions, the date of the last transaction of such series. Notwithstanding the foregoing, a Proposed Acquisition Transaction shall not include (i) the adoption by SpinCo of a shareholder rights plan or (ii) issuances by SpinCo that satisfy Safe Harbor VIII (relating to acquisitions in connection with a person's performance of services) or Safe Harbor IX (relating to acquisitions by a retirement plan of an employer) of Treasury Regulations Section 1.355-7(d). For purposes of determining whether a transaction constitutes an indirect acquisition, any recapitalization resulting in a shift of voting power or any redemption of shares of stock shall be treated as an indirect acquisition of shares of stock by the non-exchanging shareholders. This definition and the application thereof is intended to monitor compliance with Section 355(e) of

the Code and shall be interpreted accordingly. Any clarification of, or change in, the statute or Treasury Regulations promulgated under Section 355(e) of the Code shall be incorporated into this definition and its interpretation.

"PTEP" shall mean any earnings and profits of a foreign corporation that would be excluded from gross income pursuant to Section 959 of the Code.

"Representation Letters" shall mean the representation letters and any other materials delivered by, or on behalf of, XPO, SpinCo or others to a Tax Advisor in connection with the issuance by such Tax Advisor of a Tax Opinion.

"Required Party" shall have the meaning set forth in Section 5.02(a).

"Reserve" shall mean a financial statement reserve, in accordance with generally accepted accounting principles, pursuant to ASC Topic 740, excluding, for the avoidance of doubt, any reserve related to Taxes imposed with respect to the Transactions.

"Responsible Company" shall mean, with respect to any Tax Return, the Company having responsibility for filing such Tax Return.

"Restriction Period" shall mean the period beginning on the date hereof and ending on the two-year anniversary of the Distribution.

"Retention Date" shall have the meaning set forth in Section 9.01.

"Section 7.02(e) Acquisition Transaction" shall mean any transaction or series of transactions that is not a Proposed Acquisition Transaction but would be a Proposed Acquisition Transaction if the percentage reflected in the definition of Proposed Acquisition Transaction were 30% instead of 45%.

"Section 336(e) Election" shall have the meaning set forth in Section 7.06.

"Separate Return" shall mean (a) in the case of any Tax Return of any member of the SpinCo Group (including any consolidated, combined or unitary return), any such Tax Return that does not include any member of the XPO Group and (b) in the case of any Tax Return of any member of the XPO Group (including any consolidated, combined or unitary return), any such Tax Return that does not include any member of the SpinCo Group.

"Separation and Distribution Agreement" shall have the meaning set forth in the Recitals.

"Separation-Related Tax Contest" shall mean any Tax Contest in which the IRS, another Tax Authority or any other Person asserts a position that could reasonably be expected to adversely affect the (a) U.S. Tax-Free Status of any Internal Distribution or any External Separation Transaction or (b) Foreign Tax-Free Status of any Foreign Separation.

"Shared Taxes" shall have the meaning set forth in Section 7.05(d).

"Specified Acquisition" shall have the meaning set forth on Schedule 7.07.

- "Specified Percentage Interest" shall have the meaning set forth on Schedule 7.07.
- "SpinCo" shall have the meaning provided in the first sentence of this Agreement, and references herein to SpinCo shall include any entity treated as a successor to SpinCo.
- "SpinCo Active Trade or Business" shall mean the active conduct (as defined in Section 355(b)(2) of the Code and the Treasury Regulations thereunder) by SpinCo and its "separate affiliated group" (as defined in Section 355(b)(3)(B) of the Code) of the trade or business(es) relied upon to satisfy Section 355(b) of the Code with respect to the Distribution (as described in the Representation Letters), as conducted immediately prior to the Distribution.
- "SpinCo Adjustment" shall mean any proposed adjustment by a Tax Authority or claim for refund asserted in a Tax Contest to the extent SpinCo would be exclusively liable for any resulting Tax under this Agreement or exclusively entitled to receive any resulting Tax Benefit under this Agreement.
- "SpinCo Affiliated Group" shall mean the affiliated group (as defined in Section 1504 of the Code and the Treasury Regulations thereunder) of which SpinCo is the common parent.
- "SpinCo Business" shall have the meaning set forth in the Separation and Distribution Agreement.
- "SpinCo Carryback" shall mean any net operating loss, net capital loss, excess tax credit, or other similar Tax item of any member of the SpinCo Group that may or must be carried from one Tax Period to another prior Tax Period under the Code or other applicable Tax Law.
- "SpinCo Cash Proceeds" shall have the meaning provided in the Recitals.
- "SpinCo CFO Certificate" shall have the meaning set forth in Section 7.02(e)(i).
- "SpinCo Federal Consolidated Income Tax Return" shall mean any United States Federal Income Tax Return for the affiliated group (as defined in Section 1504 of the Code) of which SpinCo is the common parent.
- "SpinCo Filing Date" shall have the meaning set forth in Section 7.05(e)(iii)(A).
- "SpinCo French Combined Group" shall mean the French tax consolidated group established in accordance with articles 223 A et seq. of the French Tax Code (*Code général des impôts*) and headed by XPO Logistics Europe S.A..
- "SpinCo French Combined Income Tax Return" shall mean any Foreign Income Tax Return with respect to Taxes imposed by France or any subdivision, locality or Governmental Authority thereof with respect to the SpinCo French Combined Group.
- "SpinCo Group" shall mean SpinCo and its Affiliates, as determined immediately after the Distribution.

- "SpinCo Group Employee" shall have the meaning set forth in the Employee Matters Agreement.
- "SpinCo Post-Deconsolidation Period" shall mean any Post-Deconsolidation Period determined by reference to the SpinCo Deconsolidation Date.
- "SpinCo Pre-Deconsolidation Period" shall mean any Pre-Deconsolidation Period determined by reference to the SpinCo Deconsolidation Date.
- "SpinCo Proposed Acquisition Transaction" shall mean a Proposed Acquisition Transaction with respect to SpinCo.
- "SpinCo Reserved Income Taxes" shall mean Income Taxes for which SpinCo is responsible pursuant to Section 2.02(a)(i), 2.03(a)(i), or 2.04(a)(i).
- "SpinCo Separate Return" shall mean any Separate Return of SpinCo or any member of the SpinCo Group.
- "State Income Tax" shall mean any Tax imposed by any State of the United States (or by any political subdivision of any such State) or the District of Columbia, or any city or municipality located therein, which is imposed on or measured by net income, including state and local franchise or similar Taxes measured by net income, and any interest, penalties, additions to tax, or additional amounts in respect of the foregoing.
- "State Other Tax" shall mean any Tax imposed by any State of the United States (or by any political subdivision of any such State) or the District of Columbia, or any city or municipality located therein, other than any State Income Taxes, and any interest, penalties, additions to tax, or additional amounts in respect of the foregoing.
- "Straddle Period" shall mean any Tax Period that with respect to SpinCo, begins on or before and ends after the Deconsolidation Date.
- "Tax" or "Taxes" shall mean any income, gross income, gross receipts, profits, capital stock, franchise, withholding, payroll, social security, workers compensation, unemployment, disability, property, *ad valorem*, stamp, excise, severance, occupation, service, sales, use, license, lease, transfer, import, escheat and unclaimed property, export, value added, alternative minimum, estimated or other tax (including any fee, assessment, or other charge in the nature of or in lieu of any tax) imposed by any Governmental Authority or political subdivision thereof, and any interest, penalties, additions to tax, or additional amounts in respect of the foregoing.
- "<u>Tax Advisor</u>" shall mean any Tax counsel or accountant of recognized national standing in the United States (or, in the case of any Tax Opinion that is an opinion regarding the Foreign Tax treatment of any Foreign Separation, in the relevant foreign jurisdiction(s)).
- "Tax Advisor Dispute" shall have the meaning set forth in Section 14.

"<u>Tax Attribute</u>" shall mean a net operating loss, net capital loss, unused investment credit, unused foreign tax credit, excess charitable contribution, general business credit or any other Tax Item that could reduce a Tax.

"<u>Tax Authority</u>" shall mean, with respect to any Tax, the Governmental Authority or political subdivision thereof that imposes such Tax, and the agency (if any) charged with the collection of such Tax for such entity or subdivision.

"<u>Tax Benefit</u>" shall mean any reduction in liability for Tax as a result of any loss, deduction, refund, credit, or other item reducing Taxes otherwise payable.

"<u>Tax Contest</u>" shall mean an audit, review, examination, assessment or any other administrative or judicial proceeding with the purpose or effect of redetermining Taxes (including any administrative or judicial review of any claim for refund).

"Tax Item" shall mean, with respect to any Income Tax, any item of income, gain, loss, deduction, or credit.

"Tax Law" shall mean the law of any Governmental Authority or political subdivision thereof relating to any Tax.

"<u>Tax Opinion</u>" shall mean (a) each opinion of a Tax Advisor delivered to XPO or any of its subsidiaries in connection with, and regarding the Federal Income Tax treatment of, (i) any External Separation Transaction or (ii) any Internal Distribution, and (b) each opinion of a Tax Advisor delivered to XPO or any of its subsidiaries in connection with, and regarding the Foreign Tax treatment of, any Foreign Separation.

"Tax Period" shall mean, with respect to any Tax, the period for which the Tax is reported as provided under the Code or other applicable Tax Law.

"<u>Tax Records</u>" shall mean any Tax Returns, Tax Return workpapers, documentation relating to any Tax Contests, and any other books of account or records (whether or not in written, electronic or other tangible forms and whether or not stored on electronic or any other medium) required to be maintained under the Code or other applicable Tax Laws or under any record retention agreement with any Tax Authority.

"Tax-Related Losses" shall mean (a) all federal, state, local and foreign Taxes imposed pursuant to any settlement, Final Determination, judgment or otherwise (including Taxes required to be reflected on any Tax Return prepared in accordance with Section 4.05(b)); (b) all accounting, legal and other professional fees, and court costs incurred in connection with such Taxes; and (c) all costs, expenses and damages associated with stockholder litigation or controversies and any amount paid by XPO (or any XPO Affiliate) or SpinCo (or any SpinCo Affiliate) in respect of the liability of shareholders, whether paid to shareholders or to the IRS or any other Tax Authority; in each case, resulting from the failure of, (i) any External Separation Transaction or any Internal Distribution to have U.S. Tax-Free Status, or (ii) any Foreign Separation to have Foreign Tax-Free Status.

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

"<u>Transactions</u>" shall mean the External Separation Transactions and the other transactions contemplated by the Separation and Distribution Agreement (including the Internal Distributions, the Foreign Separations, and the other transactions contemplated by the Plan of Reorganization).

"Treasury Regulations" shall mean the regulations promulgated from time to time under the Code as in effect for the relevant Tax Period.

"Unqualified Tax Opinion" shall mean an unqualified opinion of a Tax Advisor on which XPO may rely to the effect that a transaction will not (a) affect the U.S. TaxFree Status of any External Separation Transaction or any Internal Distribution or (b) adversely affect any of the conclusions set forth in any Tax Opinion regarding the U.S. Tax-Free Status of any External Separation Transaction or any Internal Distribution; *provided*, that any Tax opinion obtained in connection with a proposed acquisition of Capital Stock of SpinCo (or any entity that was a "distributing corporation" or "controlled corporation" in any Internal Distribution) entered into during the Restriction Period shall not qualify as an Unqualified Tax Opinion unless such Tax opinion concludes that such proposed acquisition will not be treated as "part of a plan (or series of related transactions)," within the meaning of Section 355(e) of the Code and the Treasury Regulations promulgated thereunder, that includes the Distribution (or applicable Internal Distribution). Any such opinion must assume that (i) the External Separation Transactions and/or the Internal Distributions, as relevant, would have qualified for U.S. Tax-Free Status if the transaction in question did not occur and (ii) (A) the Specified Acquisition is "part of a plan (or series of related transactions)" with the Distribution for purposes of Section 355(e) of the Code and (B) the Specified Acquisition resulted in one or more persons acquiring directly or indirectly common stock representing no less than the Specified Percentage Interest in SpinCo and its Subsidiaries for purposes of Section 355(e) of the Code.

"U.S. Tax-Free Status" shall mean, with respect to each External Separation Transaction and each Internal Distribution, the qualification thereof (i) as a transaction described in Section 368(a)(1)(D) and/or Section 355(a) of the Code, (ii) as a transaction in which the stock distributed thereby is "qualified property" for purposes of Sections 355(c)(2) and 361(c)(2) of the Code and (iii) as a transaction in which XPO, SpinCo, and the members of their respective Groups (as relevant) recognize no income or gain for Federal Income Tax purposes pursuant to Sections 355, 361 and 1032 of the Code, other than (x) income or gain recognized pursuant to Sections 367(a), 367(b) and/or 1248 of the Code and the Treasury Regulations promulgated under such provisions (assuming, for this purpose, that any available elections to avoid the recognition of income or gain for Federal Income Tax purposes under such provisions have been duly and timely made), or (y) intercompany items or excess loss accounts taken into account pursuant to the Treasury Regulations promulgated pursuant to Section 1502 of the Code.

- "XPO" shall have the meaning provided in the first sentence of this Agreement, and references herein to XPO shall include any entity treated as a successor to XPO.
- "XPO Adjustment" shall mean any proposed adjustment by a Tax Authority or claim for refund asserted in a Tax Contest to the extent XPO would be exclusively liable for any resulting Tax under this Agreement or exclusively entitled to receive any resulting Tax Benefit under this Agreement.
- "XPO Affiliated Group" shall mean the affiliated group (as defined in Section 1504 of the Code and the Treasury Regulations thereunder) of which XPO is the common parent.
- "XPO Debt Repayment" shall have the meaning provided in the Recitals.
- "XPO Federal Consolidated Income Tax Return" shall mean any United States Federal Income Tax Return for the XPO Affiliated Group.
- "XPO Foreign Combined Income Tax Return" shall mean (a) a consolidated, combined or unitary or other similar Foreign Income Tax Return or (b) any Foreign Income Tax Return with respect to any profit and/or loss sharing group, group payment or similar group or fiscal unity, in the case of each of clauses (a) and (b), that actually includes, by election or otherwise, one or more members of the XPO Group together with one or more members of the SpinCo Group; *provided*, that, for the avoidance of doubt, in the case of a Foreign Income Tax Return of a member of the SpinCo Group that (x) is required to be filed with respect to a Straddle Period and (y) would otherwise (without regard to this proviso) be a XPO Foreign Combined Income Tax Return, any portion of such Foreign Income Tax Return reflecting Tax Items with respect to any Post-Deconsolidation Period (i) shall in no event be a XPO Foreign Combined Income Tax Return and (ii) shall instead be a Separate Return of such member of the SpinCo Group; *provided*, *further*, that, any SpinCo French Combined Income Tax Return shall in no event be a XPO Foreign Combined Income Tax Return.
- "XPO Group" shall mean XPO and its Affiliates, excluding any entity that is a member of the SpinCo Group.
- "XPO Group Employee" shall have the meaning set forth in the Employee Matters Agreement.
- "XPO Filing Date" shall have the meaning set forth in Section 7.05(e)(i).
- "XPO Separate Return" shall mean any Separate Return of XPO or any member of the XPO Group.
- "XPO Shares" shall mean the shares of common stock, par value \$0.001 per share, of XPO.
- "XPO State Combined Income Tax Return" shall mean a consolidated, combined or unitary Tax Return with respect to State Income Taxes that actually includes, by election or otherwise, one or more members of the XPO Group and one or more members of the SpinCo Group.

#### **Section 2.** Allocation of Tax Liabilities.

Section 2.01 General Rule.

- (a) XPO Liability. XPO shall be liable for, and shall indemnify and hold harmless each SpinCo Group from and against any liability for, Taxes that are allocated to XPO under this Section 2.
- (b) SpinCo Liability. SpinCo shall be liable for, and shall indemnify and hold harmless the XPO Group from and against any liability for, Taxes that are allocated to SpinCo under this Section 2.
- Section 2.02 Allocation of Federal Income Tax and Federal Other Tax. Except as otherwise provided in Section 2.05, Federal Income Tax and Federal Other Tax shall be allocated as follows:
- (a) Allocation of Tax Relating to XPO Federal Consolidated Income Tax Returns. With respect to any XPO Federal Consolidated Income Tax Return, XPO shall be responsible for any and all Federal Income Taxes due or required to be reported on any such Tax Return (including any increase in such Tax as a result of a Final Determination); provided, that SpinCo shall be responsible for any such Federal Income Taxes with respect to any Tax Period (or portion thereof) ending on or prior to the Distribution Date to the extent such Tax is imposed as a result of any adjustment pursuant to a Final Determination of any item of income, gain, loss, deduction or credit on any XPO Federal Consolidated Income Tax Return that is attributable (as reasonably determined by XPO) to members of the SpinCo Group.
- (b) Allocation of Tax Relating to Federal Separate Income Tax Returns. (i) XPO shall be responsible for any and all Federal Income Taxes due with respect to or required to be reported on any XPO Separate Return; and (ii) SpinCo shall be responsible for any and all Federal Income Taxes due with respect to or required to be reported on any SpinCo Separate Return; in each case, including any increase in such Tax as a result of a Final Determination.
- (c) Allocation of Federal Other Tax. (i) XPO shall be responsible for any and all Federal Other Taxes due with respect to or required to be reported on any (A) XPO Separate Return or (B) Joint Return that XPO or any member of the XPO Group is obligated to file under the Code; and (ii) SpinCo shall be responsible for any and all Federal Other Taxes due with respect to or required to be reported on any (A) SpinCo Separate Return or (B) Joint Return that SpinCo or any member of the SpinCo Group is obligated to file under the Code; in each case, including any increase in such Tax as a result of a Final Determination.
- Section 2.03 Allocation of State Income and State Other Taxes. Except as otherwise provided in <u>Section 2.05</u>, State Income Tax and State Other Tax shall be allocated as follows:
- (a) Allocation of Tax Relating to XPO State Combined Income Tax Returns. With respect to any XPO State Combined Income Tax Return, XPO shall be responsible for any and all State Income Taxes due with respect to or required to be reported on any such Tax Return (including any increase in such Tax as a result of a Final Determination); provided, that SpinCo

shall be responsible for any such State Income Taxes with respect to any Tax Period (or portion thereof) ending on or prior to the Distribution Date to the extent such Tax is imposed as a result of any adjustment pursuant to a Final Determination of any item of income, gain, loss, deduction or credit on any XPO State Combined Income Tax Return that is attributable (as reasonably determined by XPO) to members of the SpinCo Group.

- (b) Allocation of Tax Relating to State Separate Income Tax Returns. (i) XPO shall be responsible for any and all State Income Taxes due with respect to or required to be reported on any XPO Separate Return; and (ii) SpinCo shall be responsible for any and all State Income Taxes due with respect to or required to be reported on any SpinCo Separate Return; in each case, including any increase in such Tax as a result of a Final Determination.
- (c) Allocation of State Other Tax. (i) XPO shall be responsible for any and all State Other Taxes due with respect to or required to be reported on any (A) XPO Separate Return or (B) Joint Return that XPO or any member of the XPO Group is obligated to file under applicable Tax Law; and (ii) SpinCo shall be responsible for any and all State Other Taxes due with respect to or required to be reported on any (A) SpinCo Separate Return or (B) Joint Return that SpinCo or any member of the SpinCo Group is obligated to file under applicable Tax Law; in each case, including any increase in such Tax as a result of a Final Determination.
- Section 2.04 Allocation of Foreign Taxes. Except as otherwise provided in <u>Section 2.05</u> and <u>Section 2.04(d)</u>, Foreign Income Tax and Foreign Other Tax shall be allocated as follows:
- (a) Allocation of Tax Relating to XPO Foreign Combined Income Tax Returns. XPO shall be responsible for any and all Foreign Income Taxes due with respect to or required to be reported on any XPO Foreign Combined Income Tax Return (including any increase in such Tax as a result of a Final Determination); provided, that SpinCo shall be responsible for any such Foreign Income Taxes with respect to any Tax Period (or portion thereof) ending on or prior to the Distribution Date to the extent such Tax is imposed as a result of any adjustment pursuant to a Final Determination of any item of income, gain, loss, deduction or credit on any XPO Foreign Combined Income Tax Return that is attributable (as reasonably determined by XPO) to members of the SpinCo Group.
- (b) Allocation of Tax Relating to Foreign Separate Income Tax Returns. (i) XPO shall be responsible for any and all Foreign Income Taxes due with respect to or required to be reported on any XPO Separate Return; and (ii) SpinCo shall be responsible for any and all Foreign Income Taxes due with respect to or required to be reported on any SpinCo Separate Return; in each case, including any increase in such Tax as a result of a Final Determination.
- (c) Allocation of Foreign Other Tax. (i) XPO shall be responsible for any and all Foreign Other Taxes due with respect to or required to be reported on any (A) XPO Separate Return or (B) Joint Return that XPO or any member of the XPO Group is obligated to file under applicable Tax Law; and (ii) SpinCo shall be responsible for any and all Foreign Other Taxes due with respect to or required to be reported on any (A) SpinCo Separate Return or (B) Joint Return that

SpinCo or any member of the SpinCo Group is obligated to file under applicable Tax Law; in each case, including any increase in such Tax as a result of a Final Determination.

(d) Allocation of Tax Relating to SpinCo French Combined Income Tax Returns. Notwithstanding anything to the contrary herein, the responsibility for any and all Foreign Income Taxes due with respect to or required to be reported on any SpinCo French Combined Income Tax Return (including any increase in such Tax as a result of a Final Determination) shall be governed exclusively by the French Tax Combined Group Exit Agreement.

## Section 2.05 Certain Transaction and Other Taxes.

- (a) SpinCo Liability. SpinCo shall be liable for, and shall indemnify and hold harmless the XPO Group from and against any liability for:
  - (i) any stamp, sales and use, gross receipts, or other transfer Taxes imposed by any Tax Authority on any member of the SpinCo Group (if such member is primarily liable for such Tax) on the transfers occurring pursuant to the Transactions;
  - (ii) any value-added or goods and services Tax imposed by any Tax Authority on any transfer occurring pursuant to the Transactions to the extent any member of the SpinCo Group is the transferee with respect to the relevant transfer;
  - (iii) any Tax (other than Tax-Related Losses) resulting from a breach by SpinCo of any covenant made by SpinCo in this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement; and
    - (iv) any Tax-Related Losses for which SpinCo is responsible pursuant to Section 7.05.

The amounts for which SpinCo is liable pursuant to <u>Section 2.05(a)(i)</u>, (ii), and (iii) shall include all accounting, legal, and other professional fees and court costs incurred in connection with the relevant Taxes.

- (b) XPO Liability. XPO shall be liable for, and shall indemnify and hold harmless the SpinCo Group from and against any liability for:
  - (i) Any stamp, sales and use, gross receipts, or other transfer Taxes imposed by any Tax Authority on any member of the XPO Group (if such member is primarily liable for such Tax) on the transfers occurring pursuant to the Transactions;
  - (ii) any value-added or goods and services Tax imposed by any Tax Authority on any transfer occurring pursuant to the Transactions to the extent any member of the XPO Group is the transferee with respect to the relevant transfer;
  - (iii) any Tax (other than Tax-Related Losses) resulting from a breach by XPO of any covenant made by XPO in this Agreement, the Separation and Distribution Agreement, any Ancillary Agreement; and

(iv) any Tax-Related Losses for which XPO is responsible pursuant to <u>Section 7.05</u>.

The amounts for which XPO is liable pursuant to Section 2.05(b)(i), (ii) and (iii) shall include all accounting, legal, and other professional fees and court costs incurred in connection with the relevant Taxes.

### **Section 3.** Proration of Taxes for Straddle Periods.

- (a) General Method of Proration. In the case of any Straddle Period, Tax Items shall be apportioned between Pre-Deconsolidation Periods and Post-Deconsolidation Periods in accordance with the principles of Treasury Regulations Section 1.1502-76(b) as reasonably interpreted and applied by XPO. With respect to the XPO Federal Consolidated Income Tax Return for the taxable year that includes the Distribution, XPO may determine in its sole discretion whether to make a ratable election under Treasury Regulations Section 1.1502-76(b)(2)(ii) with respect to SpinCo. SpinCo shall, and shall cause each member of the SpinCo Group to, take all actions necessary to give effect to any such election.
- (b) Transactions Treated as Extraordinary Item. In determining the apportionment of Tax Items between Pre-Deconsolidation Periods and Post-Deconsolidation Periods, any Tax Items relating to the Transactions shall be treated as extraordinary items described in Treasury Regulations Section 1.1502-76(b)(2)(ii)(C) and shall (to the extent arising on or prior to the Deconsolidation Date) be allocated to the Pre-Deconsolidation Period(s), and any Taxes related to such items shall be treated under Treasury Regulations Section 1.1502-76(b)(2)(iv) as relating to such extraordinary item and shall (to the extent arising on or prior to the Deconsolidation Date) be allocated to the Pre-Deconsolidation Period(s).

# Section 4. Preparation and Filing of Tax Returns.

Section 4.01 General. Except as otherwise provided in this Section 4, Tax Returns shall be prepared and filed when due (taking into account extensions) by the Person obligated to file such Tax Returns under the Code or applicable Tax Law. The Companies shall, and shall cause their respective Affiliates to, provide assistance and cooperation to one another in accordance with Section 8 with respect to the preparation and filing of Tax Returns (including by providing information required to be provided pursuant to Section 8). Notwithstanding anything to the contrary herein, the obligations and rights to prepare and file, or to cause to be prepared and filed, any SpinCo French Combined Income Tax Return shall be governed exclusively by the French Tax Combined Group Exit Agreement.

- Section 4.02 XPO's Responsibility. XPO has the exclusive obligation and right to prepare and file, or to cause to be prepared and filed:
- (a) XPO Federal Consolidated Income Tax Returns for any Tax Periods ending before, on or after any Deconsolidation Date;
- (b) XPO State Combined Income Tax Returns, XPO Foreign Combined Income Tax Returns and any other Joint Returns that XPO reasonably determines are required to be filed (or

that XPO chooses to be filed) by XPO or any member of the XPO Group for Tax Periods ending before, on or after the Deconsolidation Date; and

(c) XPO Separate Returns and SpinCo Separate Returns that XPO reasonably determines are required to be filed by the Companies or any of their Affiliates for Tax Periods ending before, on or after the Deconsolidation Date (limited, in the case of SpinCo Separate Returns, to such Tax Returns as are required to be filed (taking into account extensions) on or before the Deconsolidation Date).

Section 4.03 SpinCo's Responsibility. SpinCo shall prepare and file, or shall cause to be prepared and filed, all Tax Returns required to be filed by or with respect to members of the SpinCo Group other than those Tax Returns that XPO is required or entitled to prepare and file under Section 4.02. The Tax Returns required to be prepared and filed by SpinCo under this Section 4.03 shall include (a) any SpinCo Federal Consolidated Income Tax Return for Tax Periods ending after the SpinCo Deconsolidation Date and (b) SpinCo Separate Returns required to be filed (taking into account extensions) after the SpinCo Deconsolidation Date.

Section 4.04 Reserved.

Section 4.05 Tax Accounting Practices.

- (a) General Rule. Except as otherwise provided in Section 4.05(b), with respect to any Tax Return that SpinCo has the obligation and right to prepare and file, or cause to be prepared and filed, under Section 4.03, for any Pre-Deconsolidation Period or any Straddle Period (or any Tax Period beginning after the Deconsolidation Date to the extent items reported on such Tax Return could reasonably be expected to affect items reported on any Tax Return that XPO has the obligation or right to prepare and file for any Pre-Deconsolidation Period or any Straddle Period), such Tax Return shall be prepared in accordance with past practices, accounting methods, elections or conventions ("Past Practices") used with respect to the Tax Returns in question (unless there is no reasonable basis for the use of such Past Practices), and to the extent any items are not covered by Past Practices (or in the event that there is no reasonable basis for the use of such Past Practices), in accordance with reasonable Tax accounting practices selected by SpinCo (unless such Tax accounting practice would have an adverse and material impact on XPO in which case such Tax accounting practices shall be selected by SpinCo in consultation with XPO and with the written consent of XPO (such consent not to be unreasonably withheld, delayed or conditioned)). Except as otherwise provided in Section 4.05(b), XPO shall prepare any Tax Return that it has the obligation and right to prepare and file, or cause to be prepared and filed, under Section 4.02, in accordance with reasonable Tax accounting practices selected by XPO.
- (b) Reporting of Transactions. Except to the extent otherwise required (x) by a change in applicable law or (y) as a result of a Final Determination, (i) neither XPO nor SpinCo shall (and neither shall permit or cause any member of its Group to) take any position that is inconsistent with the treatment of (A) any External Separation Transaction or any Internal Distribution, in each case, as having U.S. Tax-Free Status (or analogous status under state or local law) or (B) any Foreign Separation intended to have Foreign Tax-Free Status as having such status, and (ii)

SpinCo shall not (and shall not permit or cause any member of the SpinCo Group to) take any position with respect to any material item of income, deduction, gain, loss, or credit on a Tax Return, or otherwise treat such item in a manner that is inconsistent with the manner such item is reported on a Tax Return required to be prepared or filed by XPO pursuant to Section 4.02 (including, without limitation, the claiming of a deduction previously claimed on any such Tax Return); provided, however, that, notwithstanding anything to the contrary herein, (1) if XPO determines that there has been a change in relevant facts after the Deconsolidation Date as a result of which (I) any External Separation Transaction or any Internal Distribution does not qualify for U.S. Tax-Free Status or (II) any Foreign Separation intended to have Foreign Tax-Free Status does not qualify for such status, then (2) XPO shall promptly notify SpinCo in writing and, following such notice, each of the Parties shall report such External Separation Transaction, Internal Distribution, or Foreign Separation, as applicable, in the manner set forth in such notice (and shall not be permitted to take positions inconsistent with such notice).

Section 4.06 Consolidated or Combined Tax Returns. SpinCo shall elect and join, and shall cause its Affiliates to elect and join, in filing any XPO State Combined Income Tax Returns and any Joint Returns that XPO determines are required to be filed or that XPO chooses to file pursuant to Section 4.02(b). With respect to any Tax Return relating to any Tax Period (or portion thereof) ending on or prior to the Deconsolidation Date, which Tax Return otherwise would be a SpinCo Separate Return, SpinCo will elect and join, and will cause its Affiliates to elect and join, in filing consolidated, unitary, combined, or other similar joint Tax Returns, to the extent each entity is eligible to join in such Tax Returns, upon XPO's request. In the event that, following the Deconsolidation Date, XPO or a member of the XPO Group makes a Tax election (other than consistent with Past Practices) with respect to any XPO Federal Consolidated Income Tax Return, XPO State Combined Income Tax Return or XPO Foreign Combined Income Tax Return and determines that the making of such Tax election would have a material and adverse impact on the Tax liability or Tax attributes of any member of the SpinCo Group in a Tax Period ending after the Deconsolidation Date, XPO shall provide written notice of such determination to SpinCo within a reasonable period of time following such determination.

Section 4.07 Right to Review Tax Returns.

(a) General. The Company that has responsibility for preparing and filing any material Tax Return under this Agreement shall make such Tax Return (or the relevant portions thereof) and related workpapers available for review by the other Company, if requested, to the extent the requesting party (i) is or would reasonably be expected to be liable for Taxes reflected on such Tax Return, (ii) is or would reasonably be expected to be liable for any additional Taxes owing as a result of adjustments to the amount of such Taxes reported on such Tax Return, (iii) has or would reasonably be expected to have a claim for Tax Benefits under this Agreement in respect of items reflected on such Tax Return, or (iv) reasonably requires such documents to confirm compliance with the terms of this Agreement; provided, however, that notwithstanding anything in this Agreement to the contrary, XPO shall not be required to make any XPO Federal Consolidated Income Tax Return available for review by SpinCo. The Company that has responsibility for preparing and filing such Tax Return under this Agreement shall use reasonable efforts to make such Tax Return (or the relevant portions thereof) and related workpapers available for review as required under this paragraph sufficiently in advance of the

due date for filing such Tax Return to provide the requesting Party with a meaningful opportunity to review and comment on such Tax Return and shall consider such comments in good faith. The Companies shall attempt in good faith to resolve any material disagreement arising out of the review of such Tax Return and, failing such resolution, any material disagreement shall be resolved in accordance with the provisions of <u>Section 14</u> as promptly as practicable.

(b) Execution of Returns Prepared by Other Party. In the case of any Tax Return that is required to be prepared by one Company under this Agreement and that is required by law to be signed by the other Company (or by its authorized representative), the Company that is legally required to sign such Tax Return shall not be required to sign such Tax Return under this Agreement unless there is at least a "reasonable basis" (or comparable standard under state, local or foreign law) for the Tax treatment of each material item reported on the Tax Return.

Section 4.08 SpinCo Carrybacks and Claims for Refund. SpinCo hereby agrees that, unless XPO consents in writing, (a) no Adjustment Request with respect to any Joint Return shall be filed, and (b) any available elections to waive the right to claim in any SpinCo Pre-Deconsolidation Period with respect to any Joint Return any SpinCo Carryback arising in a SpinCo Post-Deconsolidation Period shall be made, and no affirmative election shall be made to claim any such SpinCo Carryback; provided, however, that the Parties agree that any such Adjustment Request shall be made with respect to any SpinCo Carryback related to Federal or State Income Taxes, upon the reasonable request of SpinCo, if (i) such SpinCo Carryback is necessary to prevent the loss of the Federal and/or State Income Tax Benefit of such SpinCo Carryback (including, but not limited to, an Adjustment Request with respect to a SpinCo Carryback of a federal or state capital loss arising in a Post-Deconsolidation Period to a Pre-Deconsolidation Period) and (ii) such Adjustment Request, based on XPO's reasonable determination, will cause no Tax detriment to XPO, the XPO Group or any member of the XPO Group. Any Adjustment Request to which XPO consents under this Section 4.08 shall be prepared and filed by the Responsible Company with respect to the Tax Return to be adjusted.

Section 4.09 Apportionment of Earnings and Profits and Other Tax Attributes.

- (a) If the XPO Affiliated Group has a Tax Attribute, the portion, if any, of such Tax Attribute apportioned to SpinCo or any member of the SpinCo Group and treated as a carryover to the first Post-Deconsolidation Period of SpinCo (or such member) shall be determined by XPO in accordance with Treasury Regulations Sections 1.1502-21, 1.1502-21, 1.1502-22, 1.1502-79 and, if applicable, 1.1502-79A.
- (b) No Tax Attribute with respect to consolidated Federal Income Tax of the XPO Affiliated Group, other than those described in Section 4.09(a), and no Tax Attribute with respect to any consolidated, combined or unitary State or Foreign Income Tax, in each case, arising in respect of a Joint Return shall be apportioned to SpinCo or any member of the SpinCo Group, except as XPO (or such member of the XPO Group as XPO shall designate) determines is otherwise required under applicable law.

- (c) XPO shall use commercially reasonable efforts to determine or cause its designee to determine the portion, if any, of any Tax Attribute that must (absent a Final Determination to the contrary) be apportioned to (i) SpinCo or any member of the SpinCo Group from any member of the XPO Group and (ii) XPO or any member of the XPO Group from any member of the SpinCo Group, in each case, in accordance with this Section 4.09 and applicable law, and the amount of Tax basis and earnings and profits (including, for the avoidance of doubt, PTEP) to be apportioned to (iii) SpinCo or any member of the SpinCo Group from any member of the XPO Group and (iv) XPO or any member of the XPO Group from any member of the SpinCo Group, in each case, in accordance with this Section 4.09 and applicable law, and shall provide written notice of the calculation thereof to SpinCo as soon as reasonably practicable after XPO or its designee prepares such calculation. For the absence of doubt, XPO shall not be liable to SpinCo or any member of the SpinCo Group for any failure of any determination under this Section 4.09 to be accurate or sustained under applicable law, including as the result of any Final Determination.
- (d) Any written notice delivered by XPO pursuant to Section 4.09(c) shall be binding on SpinCo and each member of the SpinCo Group and shall not be subject to dispute resolution; provided that XPO shall consider in good faith any reasonable comments SpinCo may timely provide with respect to such written notice. Except to the extent otherwise required by a change in applicable law or pursuant to a Final Determination, SpinCo shall not take any position (whether on a Tax Return or otherwise) that is inconsistent with the information contained in any such written notice.

Section 4.10 Gain Recognition Agreements. SpinCo shall, and shall cause its applicable domestic subsidiaries to, enter into a new "gain recognition agreement" within the meaning of Treasury Regulations Section 1.367(a)-8(b)(1)(iv) and (c)(5) with respect to each of the transfers notified in writing by XPO to SpinCo within 180 days following the Distribution Date in order to avoid the occurrence of any "triggering event" within the meaning of Treasury Regulations Section 1.367(a)-8(j) that would otherwise occur as a result of the Transactions.

### **Section 5.** Tax Payments.

Section 5.01 Payment of Taxes with Respect to Tax Returns. Subject to Section 5.02, (a) the Responsible Company with respect to any Tax Return shall pay any Tax required to be paid to the applicable Tax Authority on or before the relevant Payment Date, and (b) in the case of any adjustment pursuant to a Final Determination with respect to any Tax Return, the Responsible Company shall pay to the applicable Tax Authority when due (taking into account any automatic or validly elected extensions, deferrals or postponements) any additional Tax due with respect to such Tax Return required to be paid as a result of such adjustment pursuant to a Final Determination.

### Section 5.02 Indemnification Payments.

(a) If a Company (the "Payor") is required pursuant to Section 5.01 (or otherwise under applicable Tax Law) to pay to a Tax Authority a Tax for which the other Company (the "Required Party") is liable, in whole or in part, under this Agreement (including, for the

avoidance of doubt, any administrative or judicial deposit required to be paid by the Payor to a Tax Authority or other Governmental Authority to pursue any Tax Contest, to the extent the Required Party would be liable under this Agreement for any Tax resulting from such Tax Contest), the Required Party shall reimburse the Payor within 15 days of delivery by the Payor to the Required Party of an invoice for the amount due from the Required Party, accompanied by evidence of payment and a statement detailing the Taxes paid and describing in reasonable detail the particulars relating thereto. If the amount to be paid by the Required Party pursuant to this Section 5.02 is in respect of any Tax in excess of \$20 million required to be paid by the Payor to a single Tax Authority on or prior to a single due date (taking into account any automatic or validly elected extensions, deferrals or postponements), then the Required Party shall pay the Payor such amount no later than the later of (i) three days after delivery by the Payor to the Required Party of an invoice for the amount due, accompanied by a statement detailing the Taxes required to be paid and describing in reasonable detail the particulars relating thereto and (ii) three days prior to the due date for the payment of such Tax (taking into account any automatic or validly elected extensions, deferrals or postponements).

(b) All indemnification payments under this Agreement shall be made by XPO directly to SpinCo, and by SpinCo directly to XPO; provided, however, that if the Companies mutually agree with respect to any such indemnification payment, (i) any member of the XPO Group, on the one hand, may make such indemnification payment to any member of the SpinCo Group, on the one hand, may make such indemnification payment to any member of the XPO Group, as applicable.

### Section 6. Tax Benefits.

Section 6.01 Tax Benefits.

(a) Except as set forth below, (i) XPO shall be entitled to any refund (and any interest thereon received from the applicable Tax Authority) of (A) Income Taxes and Other Taxes for which XPO is liable hereunder (except as otherwise provided in clause (ii)(A)) and (B) Foreign Income Taxes reported on any Tax Return for a Tax Period ending on or prior to (or including) the Deconsolidation Date to the extent such refund results in a disallowance or adjustment of any foreign Tax credit claimed by the XPO Group (and any interest payable to the applicable Tax Authority as a result of such disallowance or adjustment), (ii) SpinCo shall be entitled to any refund (and any interest thereon received from the applicable Tax Authority) (A) to the extent such refund arises as a result of any adjustment pursuant to a Final Determination of any item of income, gain, loss, deduction or credit on any XPO Federal Consolidated Income Tax Return, XPO State Combined Income Tax Return or XPO Foreign Combined Income Tax Return, in each case, that is attributable (as reasonably determined by XPO) to members of the SpinCo Group and (B) of any other Income Taxes and Other Taxes for which SpinCo is liable hereunder, and (iii) a Company receiving a refund to which another Company is entitled hereunder in whole or in part shall pay over such refund (or portion thereof), net of cost (including Taxes) resulting therefrom, to such other Company within 30 days after such refund is received; it being understood that, with respect to any refund (or any interest thereon received from the applicable Tax Authority) of Shared Taxes or Taxes for which both Companies are liable under

<u>Section 7.05(c)(i)</u>, each Company shall be entitled to the portion of such refund that reflects its proportionate liability for such Taxes.

- (b) If (i) (A) a member of the SpinCo Group actually realizes in cash any Tax Benefit as a result of an adjustment pursuant to a Final Determination or reporting required by clause (x) or clause (y) of Section 4.05(b), in each case, that increases Taxes for which a member of the XPO Group is liable hereunder (or reduces any Tax Attribute of a member of the XPO Group) and such Tax Benefit would not have arisen but for such adjustment or reporting (determined on a "with and without" basis), or (B) a member of the XPO Group actually realizes in cash any Tax Benefit as a result of an adjustment pursuant to a Final Determination or reporting required by clause (x) or clause (y) of Section 4.05(b), in each case, that increases Taxes for which a member of the SpinCo Group is liable hereunder (or reduces any Tax Attribute of a member of the SpinCo Group) and such Tax Benefit would not have arisen but for such adjustment or reporting (determined on a "with and without" basis), and (ii) the aggregate Tax Benefit realized or realizable by a member of the SpinCo Group or a member of the XPO Group, as applicable, as a result of such adjustment or reporting would reasonably be expected to exceed \$1 million, then, SpinCo or XPO, as the case may be, shall make a payment to XPO or SpinCo, as appropriate, within 30 days following such actual realization of the Tax Benefit, in an amount equal to such Tax Benefit actually realized in cash (including any Tax Benefit actually realized as a result of the payment); provided, further, that no Company (or any Affiliates of any Company) shall be obligated to make a payment otherwise required pursuant to this Section 6.01(b) to the extent making such payment would place such Company (or any of its Affiliates) in a less favorable net after-Tax position than such Company (or such Affiliate) would have been in if the relevant Tax Benefit had not been realized. If a Company or one of its Affiliates pays over any amount pursuant to the preceding sentence and such Tax Benefit is subsequently disallowed or adjusted, the Parties shall promptly make appropriate payments (including in respect of any interest paid or imposed by any Tax Authority) to reflect such disallowance or adjustment.
- (c) No later than 30 days after a Tax Benefit described in Section 6.01(b) is actually realized in cash by a member of the XPO Group or a member of the SpinCo Group, XPO (if a member of the XPO Group actually realizes such Tax Benefit) or SpinCo (if a member of the SpinCo Group actually realizes such Tax Benefit) shall provide the other Company with a written calculation of the amount payable to such other Company by XPO or SpinCo pursuant to this Section 6. In the event that XPO or SpinCo disagrees with any such calculation described in this Section 6.01(c), XPO or SpinCo shall so notify the other Company in writing within 30 days of receiving the written calculation set forth above in this Section 6.01(c). XPO and SpinCo shall endeavor in good faith to resolve such disagreement, and, failing that, the amount payable under this Section 6 shall be determined in accordance with the provisions of Section 14 as promptly as practicable.
- (d) SpinCo shall be entitled to any refund that is attributable to, and would not have arisen but for, a SpinCo Carryback pursuant to the proviso set forth in Section 4.08; provided, however, that SpinCo shall indemnify and hold the members of the XPO Group harmless from and against any and all collateral Tax consequences resulting from or caused by any such SpinCo Carryback, including (but not limited to) the loss or postponement of any benefit from the use of Tax Attributes generated by a member of the XPO Group or an Affiliate thereof if (x)

such Tax Attributes expire unutilized, but would have been utilized but for such SpinCo Carryback, or (y) the use of such Tax Attributes is postponed to a later Tax Period than the Tax Period in which such Tax Attributes would have been utilized but for such SpinCo Carryback. Any such payment of such refund made by XPO to SpinCo pursuant to this Section 6.01(d) shall be recalculated in light of any Final Determination (or any other facts that may arise or come to light after such payment is made, such as a carryback of a XPO Group Tax Attribute to a Tax Period in respect of which such refund is received) that would affect the amount to which SpinCo is entitled, and an appropriate adjusting payment shall be made by SpinCo to XPO such that the aggregate amount paid pursuant to this Section 6.01(d) equals such recalculated amount.

Section 6.02 XPO and SpinCo Income Tax Deductions in Respect of Certain Equity Awards and Incentive Compensation.

- (a) Allocation of Deductions. To the extent permitted by applicable law, Income Tax deductions arising by reason of exercises of options or vesting or settlement of restricted stock units, in each case, following the Distribution, with respect to XPO stock or SpinCo stock (such options and restricted stock units, collectively, "Compensatory Equity Interests") held by any Person shall be claimed (i) in the case of a XPO Group Employee or Former XPO Group Employee, solely by the XPO Group, (ii) in the case of a SpinCo Group Employee or Former SpinCo Group Employee, solely by the SpinCo Group, and (iii) in the case of a non-employee director, by the Company for which the director serves as a director following the Distributions (provided, that in the case of any director who serves on the board of directors of XPO and Spinco, each Company shall be entitled only to the deductions arising in respect of its own stock or equity awards).
- (b) Withholding, and Reporting. Each Company entitled to claim the Tax deductions described in Section 6.02(a) with respect to Compensatory Equity Interests shall be responsible for all applicable Taxes (including, but not limited to, withholding and excise Taxes) and shall satisfy, or shall cause to be satisfied, all applicable Tax reporting obligations with respect to such Compensatory Equity Interests; provided, however, that such Company shall be entitled to receive, within 10 days following the event giving rise to the relevant deduction, any amounts collected (or deemed collected) by the issuing corporation or any of its Affiliates or agents from or on behalf of a holder of the applicable Compensatory Equity Interests in respect of Taxes required to be paid by such holder in connection with the exercise, vesting or settlement thereof (including any payments made by such holder to the issuing corporation, any proceeds from the sale of underlying equity securities on behalf of such holder, or the fair market value of any equity securities withheld by the issuing corporation in respect of such holder's Taxes by way of "net" settlement).

### **Section 7.** Tax-Free Status.

Section 7.01 Representations.

(a) Each of XPO and SpinCo hereby represents and warrants that (i) it has reviewed the Representation Letters and the Tax Opinions and (ii) subject to any qualifications therein, all

information, representations and covenants contained therein that relate to such Company or any member of its Group are true, correct and complete.

- (b) SpinCo hereby represents and warrants that it has no plan or intention of taking any action, or failing to take any action (or causing or permitting any member of its Group to take or fail to take any action), that could reasonably be expected to cause any representation, covenant, or factual statement made in this Agreement, the Separation and Distribution Agreement, any Representation Letters, any of the Ancillary Agreements, or any of the Tax Opinions to be untrue.
- (c) SpinCo hereby represents and warrants that, during the two-year period ending on the Distribution Date, there was no "agreement, understanding, arrangement, substantial negotiations or discussions" (as such terms are defined in Treasury Regulations Section 1.355-7(h)) by any one or more officers or directors of any member of the SpinCo Group or by any other person or persons with the implicit or explicit permission of one or more of such officers or directors regarding an acquisition of all or a significant portion of the SpinCo Capital Stock (or the Capital Stock of any member of the SpinCo Group that was a "distributing corporation" or a "controlled corporation" (within the meaning of Section 355(b) of the Code) in any Internal Distribution or any predecessor of SpinCo or such member of the SpinCo Group); provided, however, that no representation is made regarding the absence of any "agreement, understanding, arrangement, substantial negotiations or discussions" (as such terms are defined in Treasury Regulations 1.355-7(h)) by any one or more officers or directors of XPO (or by any other person or persons with the implicit or explicit permission of one or more of such officers or directors) who are not officers or directors of SpinCo.

## Section 7.02 Restrictions on SpinCo.

- (a) SpinCo agrees that it will not take or fail to take, and will not cause or permit any of its Affiliates to take or fail to take, any action where such action or failure to act would be inconsistent with or cause to be untrue any material, information, covenant or representation in this Agreement, the Separation and Distribution Agreement, any of the Ancillary Agreements, any Representation Letters, or any Tax Opinion. SpinCo agrees that it will not take or fail to take, and will not cause or permit any of its Affiliates to take or fail to take, any action where such action or failure to act would, or could reasonably be expected to, prevent U.S. Tax-Free Status or Foreign Tax-Free Status.
- (b) SpinCo agrees that, from the date hereof until the first day after the Restriction Period, it will (and will cause its "separate affiliated group" (as defined in Section 355(b)(3)(B) of the Code) to) (i) maintain the active conduct (as defined in Section 355(b)(2) of the Code and the Treasury Regulations promulgated thereunder) of the SpinCo Active Trade or Business and (ii) not engage in any transaction that would result in it ceasing to be engaged in the SpinCo Active Trade or Business for purposes of Section 355(b)(2) of the Code. SpinCo further agrees that, from the date hereof until the first day after the Restriction Period, it will cause each member of the SpinCo Group that was a "distributing corporation" or a "controlled corporation" (within the meaning of Section 355(b) of the Code) in any Internal Distribution (and such member's "separate affiliated group" (as defined in Section 355(b)(3)(B) of the Code))

to (x) maintain the active conduct (as defined in Section 355(b)(2) of the Code and the Treasury Regulations promulgated thereunder) of the trade or business(es) relied upon to satisfy Section 355(b) of the Code with respect to the relevant Internal Distribution (as described in the relevant Representation Letters, and/or relevant Tax Opinion), as conducted immediately prior to the relevant Internal Distribution and (y) not engage in any transaction that would result in such member ceasing to be engaged in the active conduct of such trade or business for purposes of Section 355(b)(2) of the Code.

- (c) Reserved.
- (d) SpinCo agrees that, from the date hereof until the first day after the Restriction Period, it will not:
  - (A) enter into any Proposed Acquisition Transaction or, to the extent SpinCo has the right to prohibit any Proposed Acquisition Transaction, permit any Proposed Acquisition Transaction to occur (whether by (1) redeeming rights under a shareholder rights plan, (2) finding a tender offer to be a "permitted offer" under any such plan or otherwise causing any such plan to be inapplicable or neutralized with respect to any Proposed Acquisition Transaction, or (3) approving any Proposed Acquisition Transaction, whether for purposes of Section 203 of the DGCL or any similar corporate statute, any "fair price" or other provision of SpinCo's charter or bylaws or otherwise),
    - (B) merge or consolidate with any other Person or liquidate or partially liquidate,
  - (C) in a single transaction or series of transactions (1) sell or transfer (other than sales or transfers of inventory in the ordinary course of business) all or substantially all of the assets that were transferred to SpinCo pursuant to the Contribution, (2) sell or transfer to any Person that is not a member of SpinCo's "separate affiliated group" (as defined in Section 355(b)(3)(B) of the Code) 30% or more of the gross assets of the SpinCo Active Trade or Business, or (3) sell or transfer 30% or more of the consolidated gross assets of SpinCo and its Affiliates,
  - (D) redeem or otherwise repurchase (directly or through a SpinCo Affiliate) any SpinCo Capital Stock, or rights to acquire SpinCo Capital Stock, except to the extent such repurchases satisfy Section 4.05(1)(b) of Revenue Procedure 96-30 (as in effect prior to the amendment by Revenue Procedure 2003-48),
  - (E) amend its certificate of incorporation (or other organizational documents) or take any other action, whether through a stockholder vote or otherwise, affecting the voting rights of SpinCo Capital Stock (including, without limitation, through the conversion of one class of SpinCo Capital Stock into another class of SpinCo Capital Stock),

- (F) take any other action or actions (including any action or transaction that would be reasonably likely to be inconsistent with any representation or covenant made in any Representation Letters or any Tax Opinion) that, in the aggregate (and taking into account any other transactions described in this subparagraph (d)), would be reasonably likely to have the effect of causing or permitting one or more persons to acquire, directly or indirectly, Capital Stock representing a Fifty-Percent or Greater Interest in SpinCo or otherwise jeopardize the U.S. Tax–Free Status of the Distribution or any Internal Distribution, or
- (G) cause or permit any member of the SpinCo Group that was a "distributing corporation" or a "controlled corporation" (within the meaning of Section 355(b) of the Code) in any Internal Distribution to take any action or enter into any transaction described in the preceding clauses (B), (C), (D), (E) or (F) (substituting references therein to "SpinCo", the "Contribution," the "SpinCo Active Trade or Business" and "SpinCo Capital Stock" with references to the relevant corporation, the transfer of assets to such corporation pursuant to the Transactions, the active conduct of the trade or business(es) relied upon with respect to such Internal Distribution (as described in the relevant Representation Letters and/or relevant Tax Opinion) for purposes of Section 355(b)(2) of the Code, and the Capital Stock of such corporation),

unless, in each case, prior to taking any such action set forth in the foregoing clauses (A) through (G), (x) SpinCo shall have requested that XPO obtain a private letter ruling from the IRS and/or any other applicable Tax Authority in accordance with Section 7.04(b) and (d) to the effect that such transaction will not affect the U.S. Tax-Free Status of any External Separation Transaction or any Internal Distribution, and XPO shall have received such a private letter ruling in form and substance satisfactory to XPO in its sole and absolute discretion (and in determining whether a private letter ruling is satisfactory, XPO may consider, among other factors, the appropriateness of any underlying assumptions and management's representations made in connection with such private letter ruling), (y) SpinCo shall have provided XPO with an Unqualified Tax Opinion in form and substance satisfactory to XPO in its sole and absolute discretion, (and in determining whether an opinion is satisfactory, XPO may consider, among other factors, the appropriateness of any underlying assumptions and management's representations if used as a basis for the opinion and XPO may determine that no opinion would be acceptable to XPO) or (z) XPO shall have waived the requirement to obtain such private letter ruling or Unqualified Tax Opinion.

(e) Certain Acquisitions of SpinCo Capital Stock. If SpinCo proposes to enter into any Section 7.02(e) Acquisition Transaction or, to the extent SpinCo has the right to prohibit any Section 7.02(e) Acquisition Transaction, proposes to permit any Section 7.02(e) Acquisition Transaction to occur, in each case, during the period from the date hereof until the first day after the Restriction Period, SpinCo shall provide XPO, no later than ten days following the signing of any written agreement with respect to the Section 7.02(e) Acquisition Transaction, with a written description of such transaction (including the type and amount of SpinCo Capital Stock to be issued in such transaction) and a certificate of the Chief Financial Officer of SpinCo to the effect that the Section 7.02(e) Acquisition Transaction is not a Proposed Acquisition Transaction or

any other transaction to which the requirements of Section 7.02(d) apply (a "SpinCo CFO Certificate").

(f) Certain Additional Restrictions on SpinCo. SpinCo shall not (and shall not cause or permit any of its Subsidiaries to) take any action set forth on Schedule 7.02(f).

Section 7.03 Restrictions on XPO. XPO agrees that it will not take or fail to take, or cause or permit any member of the XPO Group to take or fail to take, any action where such action or failure to act would be inconsistent with or cause to be untrue any material, information, covenant or representation in this Agreement, the Separation and Distribution Agreement, any of the Ancillary Agreements, any Representation Letters, or any Tax Opinion. XPO agrees that it will not take or fail to take, or cause or permit any member of the XPO Group to take or fail to take, any action where such action or failure to act would or could reasonably be expected to prevent U.S. Tax-Free Status or Foreign Tax-Free Status.

# Section 7.04 Procedures Regarding Opinions and Rulings.

- (a) If SpinCo notifies XPO that it desires to take one of the actions described in clauses (A) through (G) of Section 7.02(d)(a "Notified Action"), XPO and SpinCo shall reasonably cooperate to attempt to obtain the private letter ruling or Unqualified Tax Opinion referred to in Section 7.02(d), unless XPO shall have waived the requirement to obtain such private letter ruling or Unqualified Tax Opinion.
- (b) Rulings or Unqualified Tax Opinions at SpinCo's Request. At the reasonable request of SpinCo pursuant to Section 7.02(d), XPO shall cooperate with SpinCo and use commercially reasonable efforts to seek to obtain, as expeditiously as reasonably practicable, a private letter ruling from the IRS or an Unqualified Tax Opinion for the purpose of permitting SpinCo to take the Notified Action. Further, in no event shall XPO be required to file any request for a private letter ruling under this Section 7.04(b) unless SpinCo represents that (i) it has reviewed the request for such private letter ruling, and (ii) all information and representations, if any, relating to any member of the SpinCo Group, contained in the related documents are (subject to any qualifications therein) true, correct and complete. SpinCo shall reimburse XPO for all reasonable costs and expenses incurred by the XPO Group in obtaining a private letter ruling or Unqualified Tax Opinion requested by SpinCo within 15 business days after receiving an invoice from XPO therefor.
- (c) Rulings or Tax Opinions at XPO's Request. XPO shall have the right to seek a private letter ruling (or other ruling) from the IRS (and/or any other applicable Tax Authority) concerning any Transaction (including the impact of any transaction thereon) or an Unqualified Tax Opinion (or other opinion of a Tax Advisor with respect to any of the Transactions) at any time in its sole and absolute discretion. If XPO determines to seek such a private letter ruling (or other ruling) or an Unqualified Tax Opinion (or other opinion), SpinCo shall (and shall cause each of its Affiliates to) cooperate with XPO and take any and all actions reasonably requested by XPO in connection with obtaining the private letter ruling (or other ruling) or Unqualified Tax Opinion (or other opinion) (including, without limitation, by making any representation or covenant or providing any materials or information requested by the IRS (and/or any other

applicable Tax Authority) or any Tax Advisor; *provided*, that SpinCo shall not be required to make (or cause any of its Affiliate to make) any representation or covenant that is inconsistent with historical facts or as to future matters or events over which it has no control). XPO and SpinCo shall each bear its own costs and expenses in obtaining such a private letter ruling (or other ruling) or an Unqualified Tax Opinion (or other opinion) requested by XPO.

(d) Ruling Process Control. SpinCo hereby agrees that XPO shall have sole and exclusive control over the process of obtaining any private letter ruling (or other ruling), and that only XPO shall apply for such a private letter ruling (or other ruling). In connection with obtaining a private letter ruling pursuant to Section 7.04(b), XPO shall (i) keep SpinCo informed in a timely manner of all material actions taken or proposed to be taken by XPO in connection therewith; (ii) (A) reasonably in advance of the submission of any related private letter ruling documents provide SpinCo with a draft copy thereof, (B) reasonably consider SpinCo's comments on such draft copy, and (C) provide SpinCo with a final copy; and (iii) provide SpinCo with notice reasonably in advance of, and SpinCo shall have the right to attend, any formally scheduled meetings with the IRS (subject to the approval of the IRS) that relate to such private letter ruling. Neither SpinCo nor any of its directly or indirectly controlled Affiliates shall seek any guidance from the IRS or any other Tax Authority (whether written, verbal or otherwise) at any time concerning any Transaction that is the subject of a Tax Opinion (including the impact of any transaction on any of the foregoing).

# Section 7.05 Liability for Tax-Related Losses.

- (a) Notwithstanding anything in this Agreement or the Separation and Distribution Agreement to the contrary, subject to Section 7.05(c), SpinCo shall be responsible for, and shall indemnify and hold harmless XPO, its Affiliates and its officers, directors and employees from and against, 100% of any Tax-Related Losses that are attributable to or result from any one or more of the following: (A) the acquisition, after the Effective Time, of all or a portion of SpinCo's Capital Stock and/or its or its subsidiaries' assets (including any Capital Stock of any member of the SpinCo Group that was a "distributing corporation" or a "controlled corporation" (within the meaning of Section 355(b) of the Code) in any Internal Distribution) by any means whatsoever by any Person, (B) any action or failure to act by SpinCo after the Distribution (including, without limitation, any amendment to SpinCo's certificate of incorporation (or other organizational documents), whether through a stockholder vote or otherwise) affecting the voting rights of SpinCo Capital Stock (including, without limitation, through the conversion of one class of SpinCo Capital Stock into another class of SpinCo Capital Stock), (C) any act or failure to act by SpinCo or any SpinCo Affiliate described in Section 7.02 (regardless whether such act or failure to act is covered by a private letter ruling, Unqualified Tax Opinion or waiver described in clause (x), (y) or (z) of Section 7.02(d) or in a SpinCo CFO Certificate described in Section 7.02(e)(i)), or (E) any breach by SpinCo of its agreement and representations set forth in Section 7.01 (other than Section 7.01(a)).
- (b) Notwithstanding anything in this Agreement or the Separation and Distribution Agreement to the contrary, subject to Section 7.05(c), XPO shall be responsible for, and shall indemnify and hold harmless SpinCo, its Affiliates and each of its officers, directors and employees from and against, 100% of any Tax-Related Losses that are attributable to, or result

from any one or more of the following: (i) the acquisition, after the Effective Time, of all or a portion of XPO's Capital Stock and/or its or its subsidiaries' assets (including any Capital Stock of any member of the XPO Group that was a "distributing corporation" or a "controlled corporation" (within the meaning of Section 355(b) of the Code) in any Internal Distribution) by any means whatsoever by any Person, or (ii) any act or failure to act by XPO or a member of the XPO Group described in Section 7.03.

(c)

- (i) To the extent that any Tax-Related Loss is subject to indemnity under <u>Sections 7.05(a)</u>, and <u>(b)</u>, responsibility for such Tax-Related Loss shall be shared by SpinCo and XPO according to relative fault.
- (ii) Notwithstanding anything in Section 7.05(b) or (c)(i) or any other provision of this Agreement or the Separation and Distribution Agreement to the contrary:
  - (A) with respect to (1) any Tax-Related Loss resulting from the application of Section 355(e) or Section 355(f) of the Code (other than as a result of an acquisition of a Fifty-Percent or Greater Interest in XPO or any member of the XPO Group that was a "distributing corporation" or a "controlled corporation" (within the meaning of Section 355(b) of the Code) in any Internal Distribution) and (2) any other Tax-Related Loss, in each case, resulting, in whole or in part, from an acquisition after the Distribution of any Capital Stock or assets of SpinCo (or any SpinCo Affiliate) by any means whatsoever by any Person or any action or failure to act by SpinCo affecting the voting rights of SpinCo, SpinCo shall be responsible for, and shall indemnify and hold harmless XPO its Affiliates, and each of its officers, directors and employees from and against, 100% of such Tax-Related Loss;
  - (B) for purposes of calculating the amount and timing of any Tax-Related Loss for which SpinCo is responsible under this Section 7.05, Tax-Related Losses shall be calculated by assuming that XPO, the XPO Affiliated Group, and each member of the XPO Group(1) pay Tax at the highest marginal corporate Tax rates in effect in each relevant Tax Period and (2) have no Tax Attributes in any relevant Tax Period; and
- (iii) Notwithstanding anything in Section 7.05(a) or (c)(i) or any other provision of this Agreement or the Separation and Distribution Agreement to the contrary, with respect to (A) any Tax-Related Loss resulting from the application of Section 355(e) or Section 355(f) of the Code (other than as a result of an acquisition of a Fifty-Percent or Greater Interest in SpinCo or any member of the SpinCo Group that was a "distributing corporation" or a "controlled corporation" (within the meaning of Section 355(b) of the Code) in any Internal Distribution) and (B) any other Tax-Related Loss, in each case, resulting, in whole or in part, from an acquisition after the Distribution of any Capital Stock or assets of XPO (or any XPO Affiliate) by any means whatsoever

by any Person (other than as a result of an acquisition in any Internal Distribution), XPO shall be responsible for, and shall indemnify and hold harmless SpinCo, its Affiliates and each of its officers, directors and employees from and against, 100% of such Tax-Related Loss.

- (d) Allocation of Certain Separation-Related Taxes. Each of XPO and SpinCo shall be liable for, and shall indemnify and hold harmless the SpinCo Group or the XPO Group, as applicable, from and against any liability for Tax-Related Losses with respect to Income Taxes (except to the extent (A) such Tax is a Tax-Related Loss for which SpinCo or XPO is responsible pursuant to Section 7.05(a) or (b), respectively, or (B) XPO or SpinCo would otherwise be responsible for such amounts pursuant to Section 7.05(c) (such Taxes, "Shared Taxes") in the proportions set forth on Schedule 7.05(d).
- (e) Notwithstanding any other provision of this Agreement or the Separation and Distribution Agreement to the contrary:
  - (i) SpinCo shall pay XPO the amount for which SpinCo has an indemnification obligation under this Section 7.05: (A) in the case of Tax-Related Losses described in clause (a) of the definition of Tax-Related Losses, no later than the later of (x) seven business days after delivery by XPO to SpinCo of an invoice for the amount of such Tax-Related Losses or (y) three business days prior to the date XPO files, or causes to be filed, the applicable Tax Return for the year of the relevant transaction, as applicable (the "XPO Filing Date") (provided, that if such Tax-Related Losses arise pursuant to a Final Determination described in clause (a), (b) or (c) of the definition of "Final Determination," then SpinCo shall pay XPO no later than the later of (x) seven business days after delivery by XPO to SpinCo of an invoice for the amount of such Tax-Related Losses or (y) three business days prior to the date for making payment with respect to such Final Determination) and (B) in the case of Tax-Related Losses described in clause (b) or (c) of the definition of Tax-Related Losses, no later than the later of (x) seven business days after delivery by XPO to SpinCo of an invoice for the amount of such Tax-Related Losses or (y) two business days after the date XPO pays such Tax-Related Losses.
  - (ii) XPO shall pay SpinCo the amount for which XPO has an indemnification obligation under this Section 7.05: (A) in the case of Tax-Related Losses described in clause (a) of the definition of Tax-Related Losses, no later than the later of (x) seven business days after delivery by SpinCo to XPO of an invoice for the amount of such Tax-Related Losses or (y) three business days prior to the date SpinCo files, or causes to be filed, the applicable Tax Return for the year of the relevant transaction, as applicable (the "SpinCo Filing Date") (provided, that if such Tax-Related Losses arise pursuant to a Final Determination described in clause (a), (b) or (c) of the definition of "Final Determination," then XPO shall pay SpinCo no later than the later of (x) seven business days after delivery by SpinCo to XPO of an invoice for the amount of such Tax-Related Losses or (y) than three business days prior to the date for making payment with respect to such Final Determination); and (B) in the case of Tax-Related Losses described in clause (b) or (c) of the definition of Tax-Related Losses, no later than the later of (x)

seven business days after delivery by SpinCo to XPO of an invoice for the amount of such Tax-Related Losses or (y) two business days after the date SpinCo pays such Tax-Related Losses.

Section 7.06 Section 336(e) Election. If XPO determines, in its sole discretion, that one or more protective elections under Section 336(e) of the Code (each, a "Section 336(e) Election") shall be made with respect to the Distribution and/or any of the Internal Distributions, SpinCo shall (and shall cause any relevant member of the SpinCo Group to) join with XPO and/or any relevant member of the XPO Group, as applicable, in the making of any such election and shall take any action reasonably requested by XPO or that is otherwise necessary to give effect to any such election (including making any other related election). If a Section 336(e) Election is made with respect to the Distribution and/or any of the Internal Distributions, then this Agreement shall be amended in such a manner as is determined by XPO in good faith to take into account such Section 336(e) Election(s), including by requiring that, in the event (a) the Contribution, Distribution, or any Internal Distribution fails to have U.S. Tax-Free Status and (b) a Company (or such Company's Group) that does not have exclusive responsibility pursuant to this Agreement for Tax-Related Losses arising from such failure actually realizes in cash a Tax Benefit from the step-up in Tax basis resulting from the Section 336(e) Election, such Company shall pay over to the Company that has exclusive responsibility pursuant to this Agreement for such Tax-Related Losses any such Tax Benefits realized (provided, that, if such Tax-Related Losses are Shared Taxes or Taxes for which more than one Company is liable under Section 7.05(c)(i), the Company that actually realizes in cash the Tax Benefit resulting from the relevant Section 336(e) Election shall pay over to the other Company responsible for such Taxes the percentage of any such Tax Benefits realized that corresponds to such Company's percentage share of such Taxes).

Section 7.07 Certain Assumptions. For purposes of this Agreement (including the restrictions and covenants and obligations of the Parties set forth in this Section 7, the requirements for an Unqualified Tax Opinion, and any other provision of this Agreement or determination hereunder relating to the U.S. Tax-Free Status of the External Separation Transactions or the Internal Distributions (or the application of Section 355(e) of the Code thereto)), it shall be assumed that (a) the Specified Acquisition is "part of a plan (or series of related transactions)" with each of the Distributions for purposes of Section 355(e) of the Code, and (b) the Specified Acquisition resulted in one or more persons acquiring directly or indirectly common stock representing no less than the Specified Percentage Interest in SpinCo for purposes of Section 355(e) of the Code.

# **Section 8.** Assistance and Cooperation.

Section 8.01 Assistance and Cooperation.

(a) Each of the Companies shall provide (and shall cause its Affiliates to provide) the other Company and its agents, including accounting firms and legal counsel, with such cooperation or information as they may reasonably request in connection with (i) preparing and filing Tax Returns, (ii) determining the liability for and amount of any Taxes due (including estimated Taxes) or the right to and amount of any refund of Taxes, (iii) examinations of Tax

Returns, and (iv) any administrative or judicial proceeding in respect of Taxes assessed or proposed to be assessed. Such cooperation shall include making available, upon reasonable notice, all information and documents in its possession relating to the other Company and its Affiliates as provided in Section 9. Each of the Companies shall also make available to the other Company, as reasonably requested and available, personnel (including employees and agents of the Companies or their respective Affiliates) responsible for preparing, maintaining, and interpreting information and documents relevant to Taxes. In addition, SpinCo shall provide (and shall cause its Affiliates to provide) XPO and its agents, including accounting firms and legal counsel, with such cooperation or information as they may reasonably request in connection with the preparation and filing of any Tax Return (including any statement, agreement or informational Tax Return) or in connection with any potential election by XPO under Treasury Regulations Section 1.245A-5(e)(3)(i) to close the taxable year of any controlled foreign corporation transferred to the SpinCo Group (which election shall be made at XPO's sole and absolute discretion).

(b) Any information or documents provided under this Section 8 or Section 9 shall be kept confidential by the Company receiving the information or documents, except as may otherwise be necessary in connection with the filing of Tax Returns or in connection with any administrative or judicial proceedings relating to Taxes. Notwithstanding any other provision of this Agreement or any other agreement, in no event shall either Company or any of its Affiliates be required to provide the other Company or any of its Affiliates or any other Person access to or copies of any information if such action could reasonably be expected to result in the waiver of any Privilege. In addition, in the event that either Company determines that the provision of any information to the other Company or its respective Affiliates could be commercially detrimental, violate any law or agreement or waive any Privilege, the Parties shall use reasonable best efforts to permit compliance with their obligations under this Section 8 or Section 9 in a manner that avoids any such harm or consequence.

Section 8.02 Income Tax Return Information. XPO and SpinCo acknowledge that time is of the essence in relation to any request for information, assistance or cooperation made by SpinCo or XPO pursuant to Section 8.01 or this Section 8.02. XPO and SpinCo acknowledge that failure to comply with the deadlines set forth herein or reasonable deadlines otherwise set by SpinCo or XPO could cause irreparable harm. Each Company shall provide to the other Company information and documents relating to its Group required by such other Company to prepare its Tax Returns. Any information or documents required by the Company that is responsible for preparing such Tax Returns under this Agreement shall be provided in such form as the preparing Company reasonably requests and in sufficient time for such Tax Returns to be filed on a timely basis; provided, that, this Section 8.02 shall not apply to information governed by Section 4.09. In the event that, following the Distribution Date, SpinCo receives notice from any Tax Authority that any Foreign Income Taxes reported on any Tax Return for a Tax Period ending on or prior to (or including) the Deconsolidation Date may be subject to adjustment, SpinCo shall provide written notice thereof to XPO promptly following receipt of such notice.

Section 8.03 Reliance by XPO. If any member of the SpinCo Group supplies information to a member of the XPO Group in connection with a Tax liability and an officer of a member of the XPO Group signs a statement or other document under penalties of perjury in

reliance upon the accuracy of such information, then, upon the written request of XPO identifying the information being so relied upon, the Chief Financial Officer of SpinCo (or any officer of SpinCo as designated by the Chief Financial Officer of SpinCo) shall certify in writing that to his or her knowledge (based upon consultation with appropriate employees) the information so supplied is accurate and complete. SpinCo agrees to indemnify and hold harmless each member of the XPO Group and its directors, officers and employees from and against any fine, penalty, or other cost or expense of any kind attributable to a member of the SpinCo Group having supplied, pursuant to this Section 8, a member of the XPO Group with inaccurate or incomplete information in connection with a Tax liability.

Section 8.04 Reliance by SpinCo. If any member of the XPO Group supplies information to a member of the SpinCo Group in connection with a Tax liability and an officer of a member of the SpinCo Group signs a statement or other document under penalties of perjury in reliance upon the accuracy of such information, then upon the written request of SpinCo identifying the information being so relied upon, the Chief Financial Officer of XPO (or any officer of XPO as designated by the Chief Financial Officer of XPO) shall certify in writing that to his or her knowledge (based upon consultation with appropriate employees) the information so supplied is accurate and complete. XPO agrees to indemnify and hold harmless each member of the SpinCo Group and its directors, officers and employees from and against any fine, penalty, or other cost or expense of any kind attributable to a member of the XPO Group having supplied, pursuant to this Section 8, a member of the SpinCo Group with inaccurate or incomplete information in connection with a Tax liability; provided, that, this Section 8.04 shall not apply to information governed by Section 4.09.

### Section 9. Tax Records.

Section 9.01 Retention of Tax Records. Each Company shall preserve and keep all Tax Records exclusively relating to the assets and activities of its Group for the relevant Pre-Deconsolidation Period(s), and XPO shall preserve and keep all other Tax Records relating to Taxes of the Groups for the relevant Pre-Deconsolidation Periods, for so long as the contents thereof may become material in the administration of any matter under the Code or other applicable Tax Law, but in any event until the later of (a) the expiration of any applicable statutes of limitations, or (b) ten years after the Deconsolidation Date (such later date, the "Retention Date"). After the Retention Date, each Company may dispose of such Tax Records upon 90 days' prior written notice to the other Company. If, prior to the Retention Date, a Company reasonably determines that any Tax Records that it would otherwise be required to preserve and keep under this Section 9 are no longer material in the administration of any matter under the Code or other applicable Tax Law and the other Company agrees, then such first Company may dispose of such Tax Records upon 90 days' prior notice to the other Company. Any notice of an intent to dispose given pursuant to this Section 9.01 shall include a list of the Tax Records to be disposed of describing in reasonable detail the files, books, or other records being disposed. The notified Company shall have the opportunity, at its cost and expense, to copy or remove, within such 90-day period, all or any part of such Tax Records.

Section 9.02 Access to Tax Records. Each of the Companies and their respective Affiliates shall make available to each other for inspection and copying during normal business

hours upon reasonable notice all Tax Records for Pre-Deconsolidation Periods to the extent reasonably required by the other Company in connection with the preparation of financial accounting statements, audits, litigation, or the resolution of items under this Agreement.

### Section 10. Tax Contests.

Section 10.01 Notice. Each of the Companies shall provide prompt notice to the other of any written communication from a Tax Authority regarding any pending or threatened Tax audit, assessment or proceeding or other Tax Contest for which it may be entitled to indemnification by the other Company hereunder. Such notice shall include copies of the pertinent portion of any written communication from a Tax Authority and contain factual information (to the extent known) describing any asserted Tax liability in reasonable detail. The failure of one Company to notify the other of such communication in accordance with the immediately preceding sentences shall not relieve the other Company of any liability or obligation to pay such Tax or make indemnification payments under this Agreement, except to the extent that the failure timely to provide such notification actually prejudices the ability of the other Company to contest such Tax liability or increases the amount of such Tax liability.

# Section 10.02 Control of Tax Contests.

- (a) Separate Company Taxes and Joint Returns with Respect to Other Taxes. In the case of any Tax Contest with respect to any (i) Separate Return or (ii) Joint Return with respect to Other Taxes, the Company having liability for the Tax shall have exclusive control over the Tax Contest, including exclusive authority with respect to any settlement of such Tax liability, subject to Section 10.02(e).
- (b) XPO Federal Consolidated Income Tax Return and XPO State Combined Income Tax Return. In the case of any Tax Contest with respect to any XPO Federal Consolidated Income Tax Return or XPO State Combined Income Tax Return, XPO shall have exclusive control over the Tax Contest, including exclusive authority with respect to any settlement of such Tax liability, subject to Section 10.02(e)(i).
- (c) XPO Foreign Combined Income Tax Return. In the case of any Tax Contest with respect to any XPO Foreign Combined Income Tax Return, XPO shall have exclusive control over the Tax Contest, including exclusive authority with respect to any settlement of such Tax liability, subject to Section 10.02(e)(i).
- (d) Other Joint Returns. In the case of any Tax Contest with respect to any Joint Return (other than any XPO Federal Consolidated Income Tax Return, XPO State Combined Income Tax Return, XPO Foreign Combined Income Tax Return, or Joint Return with respect to Other Taxes), (i) XPO shall control the defense or prosecution of the portion of the Tax Contest, if any, directly and exclusively related to any XPO Adjustment, including settlement of any such XPO Adjustment, (ii) SpinCo shall control the defense or prosecution of the Tax Contest, if any, directly and exclusively related to any SpinCo Adjustment, including settlement of any such SpinCo Adjustment, and (iii) XPO and SpinCo shall jointly control the defense or prosecution of Joint Adjustments and any and all administrative matters not directly and

exclusively related to any XPO Adjustment or SpinCo Adjustment. In the event of any disagreement regarding any matter described in clause (iii), the provisions of Section 14 shall apply.

(e) Separation-Related and Certain Other Tax Contests.

# (i) In the event of any:

- (A) (x) Separation-Related Tax Contest as a result of which SpinCo could reasonably be expected to become exclusively liable for any Tax or Tax-Related Losses or (y) Tax Contest as a result of which SpinCo could reasonably be expected to become liable for any SpinCo Reserved Income Taxes, and, in each case, which XPO has the right to administer and control pursuant to Section 10.02(a), (b) or (c), (1) XPO shall consult with SpinCo reasonably in advance of taking any significant action in connection with such Tax Contest, (2) XPO shall offer SpinCo a reasonable opportunity to comment before submitting any written materials prepared or furnished in connection with such Tax Contest, (3) XPO shall defend such Tax Contest diligently and in good faith as if it were the only party in interest in connection with such Tax Contest, and (4) XPO shall provide SpinCo copies of any written materials relating to such Tax Contest received from the relevant Tax Authority; and
- (B) (x) Separation-Related Tax Contest as a result of which SpinCo could reasonably be expected to become liable for any portion of any Tax or Tax-Related Losses pursuant to Section 7.05(c)(i) or (y) Tax Contest as a result of which SpinCo could reasonably be expected become liable for any Shared Taxes, and, in each case, which XPO has the right to administer and control pursuant to Section 10.02(a), (b) or (c), (1) XPO shall keep SpinCo reasonably informed with respect to such Tax Contest, (2) XPO shall defend such Tax Contest diligently and in good faith as if it were the only party in interest in connection with such Tax Contest, and (3) XPO shall provide SpinCo copies of any written materials relating to such Tax Contest received from the relevant Tax Authority.
- (ii) In the event of any Separation-Related Tax Contest with respect to any SpinCo Separate Return as a result of which XPO could reasonably be expected to become liable for any Tax or Tax-Related Losses, (A) SpinCo shall consult with XPO reasonably in advance of taking any significant action in connection with such Tax Contest, (B) SpinCo shall consult with XPO and offer XPO a reasonable opportunity to comment before submitting any written materials prepared or furnished in connection with such Tax Contest, (C) SpinCo shall defend such Tax Contest diligently and in good faith as if it were the only party in interest in connection with such Tax Contest, (D) XPO shall be entitled to participate in such Tax Contest and receive copies of any written materials relating to such Tax Contest received from the relevant Tax Authority, and (E) SpinCo shall not settle, compromise or abandon any such Tax Contest without obtaining the prior written consent of XPO which consent shall not be unreasonably withheld; provided, however, that in the case of any (1) Separation-Related Tax Contest as a result

of which XPO could reasonably be expected to become liable for any Tax or Tax-Related Losses pursuant to Section 7.05(b) or Section 7.05(c)(i), or (2) Tax Contest as a result of which XPO could reasonably be expected become liable for any Shared Taxes, and, in each case, which SpinCo has the right to administer and control pursuant to Section 10.02(a), XPO shall have the right to elect to assume control of such Tax Contest, in which case the provisions of Section 10.02(e)(i)(B) shall apply.

- (f) Power of Attorney. SpinCo shall (and shall cause each member of the SpinCo Group to) execute and deliver to XPO (or such member of the XPO Group as XPO shall designate) any power of attorney or other similar document reasonably requested by XPO (or such designee) connection with any Tax Contest controlled by XPO described in this Section 10.
- (g) Tax Contests of any SpinCo French Combined Income Tax Return. Notwithstanding anything to the contrary herein, the rights and obligations with respect to any Tax Contest of any SpinCo French Combined Income Tax Return shall be governed exclusively by the French Tax Combined Group Exit Agreement.

# Section 11. Effective Date; Termination of Prior Intercompany Tax Allocation Agreements. This Agreement shall be effective as of the Effective Time. As of the Effective Time, (a) all prior intercompany Tax allocation agreements or arrangements solely between or among XPO and/or any of its Subsidiaries, on the one hand, and SpinCo and/or members of the SpinCo Group, on the other hand, shall be terminated, and (b) amounts due under such agreements or arrangements as of the date on which the Effective Time occurs shall be settled. Upon such termination and settlement, no further payments by or to XPO or such Subsidiaries or by or to SpinCo or such members of the SpinCo Group, with respect to such agreements or arrangements shall be made, and all other rights and obligations resulting from such agreements or arrangements shall cease at such time. Any payments pursuant to such agreements shall be disregarded for purposes of computing amounts due under this Agreement; *provided*, that to the extent appropriate, as determined by XPO, payments made pursuant to such agreements or arrangements shall be credited to SpinCo or XPO, respectively, in computing their respective obligations pursuant to this Agreement, in the event that such payments relate to a Tax liability that is the subject matter of this Agreement for a Tax Period that is the subject matter of this Agreement.

**Section 12. Survival of Obligations.** The representations, warranties, covenants and agreements set forth in this Agreement shall be unconditional and absolute and shall remain in effect without limitation as to time.

# Section 13. Treatment of Payments; Tax Gross Up.

Section 13.01 Treatment of Tax Indemnity and Tax Benefit Payments. In the absence of any change in Tax treatment under the Code or other applicable Tax Law, for all Income Tax purposes, the Companies agree to treat, and to cause their respective Affiliates to treat, (a) any indemnity payment required by this Agreement or by the Separation and Distribution Agreement to be made (i) by XPO to SpinCo as a contribution by XPO to SpinCo and (ii) by SpinCo to XPO as a distribution by SpinCo to XPO, in each case, occurring immediately prior to the

Distribution; and (b) any payment of interest or State Income Taxes by or to a Tax Authority, as taxable or deductible, as the case may be, to the Company entitled under this Agreement to retain such payment or required under this Agreement to make such payment. The Parties shall cooperate in good faith (including, where relevant, by using commercially reasonable efforts to establish local payment arrangements between each Party's Subsidiaries) to minimize or eliminate, to the extent permissible under applicable law, any Tax that would otherwise be imposed with respect to any payment required by this Agreement or by the Separation and Distribution Agreement (or maximize the ability to obtain a credit for, or refund of, any such Tax).

Section 13.02 Tax Gross Up. If notwithstanding the manner in which payments described in Section 13.01(a) were reported, there is a Tax liability or an adjustment to a Tax liability of a Company as a result of its receipt of a payment pursuant to this Agreement or the Separation and Distribution Agreement, such payment shall be appropriately adjusted so that the amount of such payment, reduced by the amount of all Income Taxes payable with respect to the receipt thereof (but taking into account all correlative Tax Benefits resulting from the payment of such Income Taxes), shall equal the amount of the payment that the Company receiving such payment would otherwise be entitled to receive.

Section 13.03 Interest. Anything herein to the contrary notwithstanding, to the extent one Company makes a payment of interest to another Company under this Agreement with respect to the period from (a) the date that the payor was required to make a payment to the payee to (b) the date that the payor actually made such payment, the interest payment shall be treated as interest expense to the payor (deductible to the extent provided by law) and as interest income by the payee (includible in income to the extent provided by law). The amount of the payment shall not be adjusted to take into account any associated Tax Benefit to the payor or increase in Tax to the payee.

**Section 14. Disagreements.** The Companies desire that collaboration will continue between them. Accordingly, they will try, and they will cause their respective Group members to try, to resolve in good faith all disagreements regarding their respective rights and obligations under this Agreement, including any amendments hereto. In furtherance thereof, in the event of any dispute or disagreement (a "Tax Advisor Dispute") between any member of the XPO Group and any member of the SpinCo Group as to the interpretation of any provision of this Agreement or the performance of obligations hereunder, representatives of the Tax departments of the Companies shall negotiate in good faith to resolve the Tax Advisor Dispute. If such good faith negotiations do not resolve the Tax Advisor Dispute, then such Tax Advisor Dispute shall be resolved pursuant to the procedures set forth in Article VII of the Separation and Distribution Agreement; provided, that each of the mediators or arbitrators selected in accordance with Article VII of the Separation and Distribution Agreement must be Tax Advisors. Nothing in this Section 14 will prevent either Company from seeking injunctive relief if any delay resulting from the efforts to resolve the Tax Advisor Dispute through the procedures set forth in Article VII of the Separation and Distribution Agreement could result in serious and irreparable injury to such Company. Notwithstanding anything to the contrary in this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement, XPO and SpinCo are the only

members of their respective Groups entitled to commence a dispute resolution procedure under this Agreement, and each of XPO and SpinCo will cause its respective Group members not to commence any dispute resolution procedure other than through such Party as provided in this <u>Section 14</u>.

Section 15. Late Payments. Any amount owed by one Party to another Party under this Agreement that is not paid when due shall bear interest at the Prime Rate plus two percent (2%), compounded semiannually, from the due date of the payment to the date paid. To the extent interest required to be paid under this Section 15 duplicates interest required to be paid under any other provision of this Agreement, interest shall be computed at the higher of the interest rate provided under this Section 15 or the interest rate provided under such other provision.

**Section 16.** Expenses. Except as otherwise provided in this Agreement, each Party and its Affiliates shall bear their own expenses incurred in connection with the preparation of Tax Returns, Tax Contests, and other matters related to Taxes under the provisions of this Agreement.

### Section 17. General Provisions.

Section 17.01 Addresses and Notices. All notices, requests, claims, demands or other communications under this Agreement shall be in writing and shall be given or made (and except as provided herein, shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by certified mail, return receipt requested, or by electronic mail ("e-mail"), so long as confirmation of receipt of such e-mail is requested and received, to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 17.01):

If to XPO, to:

XPO Logistics, Inc. Five American Lane Greenwich, Connecticut 06831

Attention: Deputy Chief Financial Officer, Ravi Tulsyan

E-mail: ravi.tulsyan@xpo.com

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

Wachtell, Lipton, Rosen & Katz 51 West 52nd Street
New York, New York 10019

Attention: Adam O. Emmerich

Viktor Sapezhnikov

E-mail: AOEmmerich@wlrk.com

VSapezhnikov@wlrk.com

If to SpinCo (prior to the Effective Time), to:

GXO Logistics, Inc.

Two American Lane

Greenwich, Connecticut 06831

Attention: Chief Legal Officer, Karlis Kirsis

E-mail: Karlis.Kirsis@gxo.com

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

Wachtell, Lipton, Rosen & Katz

51 West 52nd Street

New York, New York 10019

Attention: Adam O. Emmerich

Viktor Sapezhnikov

E-mail: AOEmmerich@wlrk.com

VSapezhnikov@wlrk.com

If to SpinCo (from and after the Effective Time), to:

GXO Logistics, Inc.

Two American Lane

Greenwich, Connecticut 06831

Attention: Chief Legal Officer, Karlis Kirsis

E-mail: Karlis.Kirsis@gxo.com

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

Wachtell, Lipton, Rosen & Katz

51 West 52nd Street

New York, New York 10019

Attention: Adam O. Emmerich

Viktor Sapezhnikov

E-mail: AOEmmerich@wlrk.com

VSapezhnikov@wlrk.com

A Party may, by notice to the other Parties, change the address to which such notices are to be given or made.

Section 17.02 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

Section 17.03 Waiver of Default. Waiver by a Party of any default by another Party of any provision of this Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default, nor shall it prejudice the rights of any other Party. No failure or delay by a Party in exercising any right, power or privilege under this Agreement shall operate as

a waiver thereof, nor shall a single or partial exercise thereof prejudice any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 17.04 Severability. If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof or thereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the Parties.

Section 17.05 Authority. XPO represents on behalf of itself and each other member of the XPO Group and SpinCo represents on behalf of itself and each other member of the SpinCo Group, as follows:

- (a) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement; and
- (b) this Agreement has been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable in accordance with the terms hereof.

Section 17.06 Further Action. Prior to, on, and after the Effective Time, each Party hereto shall cooperate with the other Parties, at the expense of the requesting Party, to execute and deliver, or use its reasonable best efforts to cause to be executed and delivered, all instruments, including the execution and delivery to the other Parties and their Affiliates and representatives of such powers of attorney or other authorizing documentation as is reasonably necessary or appropriate in connection with Tax Contests (or portions thereof) under the control of such other Parties in accordance with Section 10, and to make all filings with any Governmental Authority, and to take all such other actions as such Party may reasonably be requested to take by the other Parties from time to time, consistent with the terms of this Agreement, in order to effectuate the provisions and purposes of this Agreement.

Section 17.07 Integration. This Agreement, together with each of the exhibits and schedules appended hereto, contain the entire agreement among the Parties with respect to the subject matter hereof, supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter, and there are no agreements or understandings among the Parties other than those set forth herein and in the Separation and Distribution Agreement and the other Ancillary Agreements. This Agreement, the Separation and Distribution Agreement, and the other Ancillary Agreements together govern the arrangements in connection with the Separation and the Distributions and would not have been entered independently. In the event of any inconsistency between this Agreement and the Separation and Distribution Agreement, or any other agreements relating to the transactions contemplated by the Separation and Distribution Agreement, with respect to matters addressed herein, the provisions of this Agreement shall control (it being understood that

the terms pursuant to which any transition services related to Tax matters shall be provided under the Transition Services Agreement shall be governed by the Transition Services Agreement).

Section 17.08 Construction. The language in all parts of this Agreement shall in all cases be construed according to its fair meaning and shall not be strictly construed for or against any Party. The captions, titles and headings included in this Agreement are for convenience only, and do not affect this Agreement's construction or interpretation. Unless otherwise indicated, all "Section" references in this Agreement are to sections of this Agreement.

Section 17.09 No Double Recovery. No provision of this Agreement shall be construed to provide an indemnity or other recovery for any costs, damages, or other amounts for which the damaged Party has been fully compensated under any other provision of this Agreement or under any other agreement or action at law or equity. Unless expressly required in this Agreement, a Party shall not be required to exhaust all remedies available under other agreements or at law or equity before recovering under the remedies provided in this Agreement.

Section 17.10 Counterparts. Each Party acknowledges that it and each other Party may execute this Agreement by facsimile, stamp or mechanical signature and that delivery of an executed counterpart of a signature page to this Agreement (whether executed by manual, stamp or mechanical signature) by facsimile or by e-mail in portable document format (.pdf) shall be effective as delivery of such executed counterpart of this Agreement. Each Party expressly adopts and confirms each such facsimile, stamp or mechanical signature (regardless of whether delivered in person, by mail, by courier, by facsimile or by e-mail in portable document format (.pdf)) made in its respective name as if it were a manual signature delivered in person, agrees that it will not assert that any such signature or delivery is not adequate to bind such Party to the same extent as if it were signed manually and delivered in person and agrees that, at the reasonable request of the other Party at any time, it will as promptly as reasonably practicable cause this Agreement to be manually executed (any such execution to be as of the date of the initial date thereof) and delivered in person, by mail or by courier.

Section 17.11 Governing Law. This Agreement (and any claims or disputes arising out of or related hereto or to the transactions contemplated hereby or to the inducement of any Party to enter herein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall be governed by and construed and interpreted in accordance with the Laws of the State of Delaware irrespective of the choice of Laws principles of the State of Delaware including all matters of validity, construction, effect, enforceability, performance and remedies.

Section 17.12 Amendment. No provisions of this Agreement shall be deemed waived, amended, supplemented or modified by a Party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representatives of the Parties against whom it is sought to enforce such waiver, amendment, supplement or modification.

Section 17.13 SpinCo Subsidiaries. If, at any time, SpinCo acquires or creates one or more subsidiaries that are includable in the SpinCo Group, they shall be subject to this

Agreement and all references to the SpinCo Group herein shall thereafter include a reference to such subsidiaries.

Section 17.14 Successors. This Agreement shall be binding upon and inure to the benefit of the Parties and the parties thereto, respectively, and their respective successors and permitted assigns; provided, however, that neither Party nor any such party thereto may assign its rights or delegate its obligations under this Agreement without the express prior written consent of the other Party hereto or other parties thereto, as applicable. Notwithstanding the foregoing, no such consent shall be required for the assignment of a Party's rights and obligations under this Agreement in whole (i.e., the assignment of a Party's rights and obligations under this Agreement) in connection with a change of control or a sale of all or substantially all of a Party (or its assets) so long as the resulting, surviving or transferee Person assumes all the obligations of the relevant party thereto by operation of Law or pursuant to an agreement in form and substance reasonably satisfactory to the other Party.

Section 17.15 Specific Performance. Subject to the provisions of Section 14, in the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the Party or Parties who are, or are to be, thereby aggrieved shall have the right to specific performance and injunctive or other equitable relief in respect of its or their rights under this Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The Parties agree that the remedies at law for any breach or threatened breach, including monetary damages, are inadequate compensation for any loss and that any defense in any Action for specific performance that a remedy at law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are waived by each of the Parties.

Section 17.16 Survival of Covenants. Except as expressly set forth in this Agreement, the covenants, representations and warranties contained in this Agreement, and Liability for the breach of any obligations contained herein, shall survive the Separation and the Distribution and shall remain in full force and effect.

[Remainder of page intentionally left blank]

authoriz	ed representati	ves as of the	date first wri	tten above.					
I	N WITNESS '	WHEREOF, t	he Parties ha	ve caused	this Agree	ement to be	e execute	d by thei	r duly

AFO	LOGISTICS, INC.
By:	
	Name: Title:
GXO	LOGISTICS, INC.
By:	Name:
	Title:

FORM OF
EMPLOYEE MATTERS AGREEMENT
BY AND BETWEEN
XPO LOGISTICS, INC.
AND
GXO LOGISTICS, INC.

DATED AS OF [ ], 2021

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#### EMPLOYEE MATTERS AGREEMENT

This EMPLOYEE MATTERS AGREEMENT, dated as of [], 2021 (this "<u>Agreement</u>"), is by and between XPO Logistics, Inc., a Delaware corporation ("<u>Parent</u>"), and GXO Logistics, Inc., a Delaware corporation ("<u>SpinCo</u>").

#### RECITALS:

WHEREAS, the board of directors of Parent (the "<u>Parent Board</u>") has determined that it is in the best interests of Parent and its stockholders to create a new publicly traded company that shall operate the SpinCo Business;

WHEREAS, in furtherance of the foregoing, the Parent Board has determined that it is appropriate and desirable to separate the SpinCo Business from the Parent Business (the "Separation") and, following the Separation, make a distribution, on a pro rata basis, to holders of Parent Shares on the Record Date of all of the outstanding SpinCo Shares (the "Distribution");

WHEREAS, SpinCo has been incorporated solely for these purposes and has not engaged in activities, except in connection with the Separation and the Distribution;

WHEREAS, SpinCo and Parent have prepared, and SpinCo has filed with the SEC, the Form 10, which includes the Information Statement and which sets forth disclosures concerning SpinCo, the Separation and the Distribution;

WHEREAS, in order to effectuate the Separation and Distribution, Parent and SpinCo have entered into a Separation and Distribution Agreement, dated as of the date hereof (the "Separation and Distribution Agreement");

WHEREAS, in addition to the matters addressed by the Separation and Distribution Agreement, the Parties desire to enter into this Agreement to set forth the terms and conditions of certain employment, compensation and benefit matters; and

WHEREAS, the Parties acknowledge that this Agreement, the Separation and Distribution Agreement and the other Ancillary Agreements represent the integrated agreement of Parent and SpinCo relating to the Separation and the Distribution, are being entered into together and would not have been entered into independently.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

# ARTICLE I DEFINITIONS

Section 1.01. <u>Definitions</u>. For purposes of this Agreement (including the recitals hereof), the following terms have the following meanings, and capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the Separation and Distribution Agreement.



"Agreement" shall have the meaning set forth in the Preamble to this Agreement and shall include all Schedules hereto and all amendments, modifications, and changes hereto entered into pursuant to <u>Section 8.16</u>.

"Benefit Plan" shall mean any contract, agreement, policy, practice, program, plan, trust, commitment or arrangement providing for benefits, perquisites or compensation of any nature from an employer to any Employee or Former Employee, or to any family member, dependent, or beneficiary of any such Employee or Former Employee, including cash or deferred arrangement plans, profit-sharing plans, post-employment programs, pension plans, supplemental pension plans, welfare plans, stock purchase, and contracts, agreements, policies, practices, programs, plans, trusts, commitments and arrangements providing for terms of employment, fringe benefits, severance benefits, change-in-control protections or benefits, life, accidental death and dismemberment, disability and accident insurance, tuition reimbursement, adoption assistance, travel reimbursement, vacation, sick, personal or bereavement days, leaves of absences and holidays; provided, however, that the term "Benefit Plan" does not include any government-sponsored benefits, such as workers' compensation, unemployment or any similar plans, programs or policies or Individual Agreements.

"COBRA" shall mean the U.S. Consolidated Omnibus Budget Reconciliation Act of 1985, as codified at Section 601 *et seq*. of ERISA and at Section 4980B of the Code and including all regulations promulgated thereunder.

"Distribution" shall have the meaning set forth in the Recitals.

"Employee" shall mean any Parent Group Employee or SpinCo Group Employee.

"ERISA" shall mean the U.S. Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

"Former Employees" shall mean Former Parent Group Employees and Former SpinCo Group Employees.

"Former Parent Group Employee" shall mean any individual who is a former employee of the Parent Group as of the Effective Time and who is not a Former SpinCo Group Employee.

"Former SpinCo Group Employee" shall mean any individual who is a former employee of Parent or any of its Subsidiaries or former Subsidiaries as of the Effective Time, in each case, who was primarily dedicated to the SpinCo Business as of immediately prior to termination of employment with any such entity.

"Group" shall mean either the SpinCo Group or the Parent Group, as the context requires.

"HIPAA" shall mean the U.S. Health Insurance Portability and Accountability Act of 1996, as amended, and the regulations promulgated thereunder.

"Individual Agreement" shall mean any individual (a) employment contract, (b) retention, severance or change in control agreement, or (c) other agreement containing

restrictive covenants (including confidentiality, noncompetition and nonsolicitation provisions) between a member of the Parent Group and a SpinCo Group Employee or any Former SpinCo Group Employee, as in effect immediately prior to the Effective Time; <u>provided</u> that, such term shall not include the Confidential Information Protection Agreement.

"Labor Agreement" shall have the meaning set forth in Section 2.01.

"Parent" shall have the meaning set forth in the Preamble.

"Parent 401(k) Plans" shall mean the following plans: the XPO Logistics, Inc. 401(k) Plan and XPO Logistics Retirement Savings Plan, as in effect or as it may be amended from time to time.

"Parent Awards" shall mean Parent Option Awards, Parent RSU Awards and Parent Event-Based RSU Award, collectively.

"<u>Parent Benefit Plan</u>" shall mean any Benefit Plan established, sponsored or maintained by Parent or any of its Subsidiaries immediately prior to the Effective Time, but excluding any SpinCo Benefit Plan.

"Parent Board" shall have the meaning set forth in the Recitals.

"Parent Business" shall have the meaning set forth in the Separation and Distribution Agreement.

"<u>Parent Canada Defined Contribution Plan</u>" shall mean The Pension Plan for Employees of XPO Logistics Freight Canada Inc.

"Parent Compensation Committee" shall mean the Compensation Committee of the Parent Board.

"Parent Deferred Compensation Plan" shall mean each of the following plans: Con-Way Inc. 1993 Deferred Compensation Plan for Executives and Key Employees, Con-Way Inc. 2005 Deferred Compensation Plan for Executives and Key Employees (the "2005 Con-Way Plan"), CNF Inc. Supplemental Excess Retirement Plan, Con-Way Inc. 2005 Supplemental Excess Retirement Plan, and Con-Way Supplemental Retirement Savings Plan.

"<u>Parent Director</u>" shall mean each Parent nonemployee director as of immediately after the Effective Time who served on the Parent Board immediately prior to the Effective Time.

"Parent ESPP" shall mean the XPO Logistics, Inc. Employee Stock Purchase Plan.

"<u>Parent Event-Based RSU Award</u>" shall mean a restricted stock unit award with a performance vesting condition relating to the occurrence of a corporate transaction, including without limitation the Distribution, that is outstanding as of immediately prior to the Effective Time, granted pursuant to the Parent Omnibus Plan.

"Parent Group Employees" shall have the meaning set forth in Section 3.01(a)(ii).

"<u>Parent Non-Equity Incentive Practices</u>" shall mean the corporate non-equity incentive practices of the Parent Group.

"Parent Omnibus Plan" shall mean any equity compensation plan sponsored or maintained by the Parent immediately prior to the Effective Time, including the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan, as amended from time to time and the XPO Logistics, Inc. Amended and Restated 2011 Omnibus Incentive Compensation Plan, as amended from time to time.

"<u>Parent Option Award</u>" shall mean an award of options to purchase Parent Shares granted pursuant to a Parent Omnibus Plan that is outstanding as of immediately prior to the Effective Time.

"Parent Puerto Rico Savings Plan" shall mean the XPO Logistics, Inc. Puerto Rico Savings Plan.

"<u>Parent Performance-Based RSU Award</u>" shall mean a restricted stock unit award that is subject to performance-based vesting (other than a Parent Event-Based RSU Award) outstanding as of immediately prior to the Effective Time, granted pursuant to the Parent Omnibus Plan.

"<u>Parent Ratio</u>" shall mean the quotient obtained by dividing (a) the Pre-Separation Parent Stock Value by (b) the Post-Separation Parent Stock Value.

"<u>Parent Retiree Medical Plan</u>" shall mean each of the following plans: the XPO Logistics, Inc. Retiree Benefit Plan (formerly, Con-Way Retiree Benefit Plan) and XPO Logistics Retiree Health Savings Account (401(h)).

"Parent RSU Award" shall mean a restricted stock unit award outstanding as of immediately prior to the Effective Time that is not subject to performance-based vesting conditions, granted pursuant to the Parent Omnibus Plan.

"<u>Parent Welfare Plan</u>" shall mean any Parent Benefit Plan that is a Welfare Plan, including the XPO Benefit Plan and XPO Logistics Canada Inc. Group Benefits Policy.

"Parties" shall mean the parties to this Agreement.

"<u>Post-Separation Parent Awards</u>" shall mean Post-Separation Parent Option Awards, Post-Separation Parent RSU Awards, and Post-Separation Parent Performance-Based RSU Awards, collectively.

"<u>Post-Separation Parent Option Award</u>" shall mean a Parent Option Award, as adjusted as of the Effective Time in accordance with Section 4.02(a).

"<u>Post-Separation Parent Performance-Based RSU Award</u>" shall mean a Parent Performance-Based RSU Award, as adjusted as of the Effective Time in accordance with Section 4.02(d), as applicable.

- "<u>Post-Separation Parent RSU Award</u>" shall mean a Parent RSU Award, as adjusted as of the Effective Time in accordance with <u>Section 4.02(b)</u> or <u>Section 4.02(c)</u>, as applicable.
- "<u>Post-Separation Parent Stock Value</u>" shall mean the closing per-share price of Parent Shares on the NYSE on the first regular trading session (9:30 a.m. to 4:00 p.m. EST) commencing after the Effective Time.
- "Pre-Separation Parent Stock Value" shall mean the closing per-share price of Parent Shares trading "regular way with due bills" on the NYSE on the last regular trading session (9:30 am to 4:00 pm EST) ending prior to the Effective Time.
- "QDRO" shall mean a qualified domestic relations order within the meaning of Section 206(d) of ERISA and Section 414(p) of the Code.
- "Securities Act" shall mean the U.S. Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.
  - "Separation" shall have the meaning set forth in the Recitals.
  - "Separation and Distribution Agreement" shall have the meaning set forth in the Recitals.
  - "SpinCo" shall have the meaning set forth in the Preamble.
- "SpinCo 401(k) Plan" shall mean the SpinCo 401(k) Savings Plans, to be adopted by SpinCo prior to or on the Distribution Date as described in Section 5.03.
  - "SpinCo 401(k) Trust" shall have the meaning set forth in Section 5.03(a).
  - "SpinCo Awards" shall mean SpinCo Option Awards and SpinCo RSU Awards, collectively.
- "SpinCo Benefit Plan" shall mean any Benefit Plan established, sponsored, maintained or contributed to by a member of the SpinCo Group as of or after the Effective Time.
  - "SpinCo Board" shall mean the Board of Directors of SpinCo.
  - "SpinCo Business" shall have the meaning set forth in the Separation and Distribution Agreement.
  - "SpinCo Canada Defined Contribution Fund" shall have the meaning set forth in 5.05(a).
- "SpinCo Canada Defined Contribution Plan" shall mean the SpinCo Canada Defined Contribution Plan, to be adopted by SpinCo prior to or on the Distribution Date as described in Section 5.05.
- "SpinCo Flex Plan" shall mean the Health Flexible Spending Account and the Dependent Care Flexible Spending Account under a cafeteria plan established by SpinCo as described in Section 7.04.

- "SpinCo Group Employees" shall have the meaning set forth in Section 3.01(a)(i).
- "SpinCo Non-Equity Incentive Practices" shall mean the corporate non-equity incentive practices, as established by SpinCo as of the Effective Time pursuant to Section 2.03(a) and Section 4.04.
- "SpinCo Omnibus Plan" shall mean the SpinCo 2021 Omnibus Incentive Plan, as established by SpinCo as of the Effective Time pursuant to Section 2.03(a) and Section 4.01.
- "SpinCo Option Award" shall mean an award of stock options assumed and granted by SpinCo pursuant to the SpinCo Omnibus Plan in accordance with Section 4.02(a).
- "SpinCo Puerto Rico Savings Plan" shall mean the SpinCo Puerto Rico) Savings Plans, to be adopted by SpinCo prior to or on the Distribution Date as described in Section 5.04.
- "SpinCo Ratio" shall mean the quotient obtained by dividing (a) the Pre-Separation Parent Stock Value by (b) the SpinCo Stock Value.
- "SpinCo RSU Award" shall mean an award of restricted stock units that is not subject to performance-based vesting conditions, assumed and granted pursuant to the SpinCo Omnibus Plan in accordance with Section 4.02(b) or Section 4.02(c), as applicable.
- "SpinCo Stock Value" shall mean the closing per-share price of SpinCo Shares on the NYSE on the first regular trading session (9:30 a.m. to 4:00 p.m. EST) commencing after the Effective Time.
- "SpinCo Welfare Plan" shall mean a Welfare Plan established, sponsored, maintained or contributed to by any member of the SpinCo Group for the benefit of SpinCo Group Employees and Former SpinCo Group Employees.
  - "Transferred Account Balances" shall have the meaning set forth in Section 7.04.
- "<u>Transferred Director</u>" shall mean each SpinCo nonemployee director as of immediately after the Effective Time who served on the Parent Board immediately prior to the Effective Time.
  - "U.S." shall mean the United States of America.
- "Welfare Plan" shall mean any "welfare plan" (as defined in Section 3(1) of ERISA) or a "cafeteria plan" under Section 125 of the Code, and any benefits offered thereunder, and any other plan offering health benefits (including medical, prescription drug, dental, vision, mental health, substance abuse and retiree health), disability benefits, or life, accidental death and dismemberment, and business travel insurance, pre-Tax premium conversion benefits, dependent care assistance programs, employee assistance programs, paid time off programs, contribution funding toward a health savings account, flexible spending accounts or severance.
- Section 1.02. <u>Interpretation</u>. Section 10.15 of the Separation and Distribution Agreement is hereby incorporated by reference.

## ARTICLE II GENERAL PRINCIPLES FOR ALLOCATION OF LIABILITIES

- Section 2.01. General Principles. All provisions herein shall be subject to the requirements of all applicable Law and any collective bargaining, works council or similar agreement or arrangement with any labor union, works council or other labor representative (each, a "Labor Agreement"). Notwithstanding anything in this Agreement to the contrary, if the terms of a Labor Agreement or applicable Law require that any Assets or Liabilities be retained or assumed by, or transferred to, a Party in a manner that is different than what is set forth in this Agreement, such retention, assumption or transfer shall be made in accordance with the terms of such Labor Agreement and applicable Law and shall not be made as otherwise set forth in this Agreement; provided that, in such case, the Parties shall take all necessary action to preserve the economic terms of the allocation of Assets and Liabilities contemplated by this Agreement. The provisions of this Agreement shall apply in respect of all jurisdictions.
- (a) Acceptance and Assumption of SpinCo Liabilities. Except as otherwise provided by this Agreement, on or prior to the Effective Time, but in any case prior to the Distribution, SpinCo and the applicable SpinCo Designees shall accept, assume and agree faithfully to perform, discharge and fulfill all of the following Liabilities in accordance with their respective terms (each of which shall be considered a SpinCo Liability), regardless of when or where such Liabilities arose or arise, or whether the facts on which they are based occurred prior to, at or subsequent to the Effective Time, regardless of where or against whom such Liabilities are asserted or determined (including any Liabilities arising out of claims made by Parent's or SpinCo's respective directors, officers, Employees, Former Employees, agents, Subsidiaries or Affiliates against any member of the Parent Group or the SpinCo Group) or whether asserted or determined prior to the date hereof, and regardless of whether arising from or alleged to arise from negligence, recklessness, violation of Law, fraud or misrepresentation by any member of the Parent Group or the SpinCo Group, or any of their respective directors, officers, Employees, Former Employees, agents, Subsidiaries or Affiliates:
- (i) any and all wages, salaries, incentive compensation, equity compensation, commissions, bonuses and any other employee compensation or benefits payable to or on behalf of any SpinCo Group Employees and Former SpinCo Group Employees after the Effective Time, without regard to when such wages, salaries, incentive compensation, equity compensation, commissions, bonuses or other employee compensation or benefits are or may have been awarded or earned;
- (ii) any and all Liabilities whatsoever with respect to claims under a SpinCo Benefit Plan, taking into account the SpinCo Benefit Plan's assumption of Liabilities with respect to SpinCo Group Employees and Former SpinCo Group Employees that were originally the Liabilities of the corresponding Parent Benefit Plan with respect to periods prior to the Effective Time;
- (iii) any and all Liabilities arising out of, relating to or resulting from the employment, or termination of employment of all SpinCo Group Employees and Former SpinCo Group Employees; and

- (iv) any and all Liabilities expressly assumed or retained by any member of the SpinCo Group pursuant to this Agreement.
- (b) Acceptance and Assumption of Parent Liabilities. Except as otherwise provided by this Agreement, on or prior to the Effective Time, but in any case prior to the Distribution, Parent and certain members of the Parent Group designated by Parent shall accept, assume and agree faithfully to perform, discharge and fulfill all of the following Liabilities in accordance with their respective terms (each of which shall be considered a Parent Liability), regardless of when or where such Liabilities arose or arise, or whether the facts on which they are based occurred prior to, at or subsequent to the Effective Time, regardless of where or against whom such Liabilities are asserted or determined (including any Liabilities arising out of claims made by Parent's or SpinCo's respective directors, officers, Employees, Former Employees, agents, Subsidiaries or Affiliates against any member of the Parent Group or the SpinCo Group) or whether asserted or determined prior to the date hereof, and regardless of whether arising from or alleged to arise from negligence, recklessness, violation of Law, fraud or misrepresentation by any member of the Parent Group or the SpinCo Group, or any of their respective directors, officers, Employees, Former Employees, agents, Subsidiaries or Affiliates:
- (i) any and all wages, salaries, incentive compensation, equity compensation, commissions, bonuses and any other employee compensation or benefits payable to or on behalf of any Parent Group Employees and Former Parent Group Employees after the Effective Time, without regard to when such wages, salaries, incentive compensation, equity compensation, commissions, bonuses or other employee compensation or benefits are or may have been awarded or earned;
- (ii) any and all Liabilities whatsoever with respect to claims under a Parent Benefit Plan, taking into account a corresponding SpinCo Benefit Plan's assumption of Liabilities with respect to SpinCo Group Employees and Former SpinCo Group Employees that were originally the Liabilities of such Parent Benefit Plan with respect to periods prior to the Effective Time;
- (iii) any and all Liabilities arising out of, relating to or resulting from the employment, or termination of employment of all Parent Group Employees and Former Parent Group Employees; and
- (iv) any and all Liabilities expressly assumed or retained by any member of the Parent Group pursuant to this Agreement.
- (c) Unaddressed Liabilities. To the extent that this Agreement does not address particular Liabilities under any Benefit Plan and the Parties later determine that they should be allocated in connection with the Distribution, the Parties shall agree in good faith on the allocation, taking into account the handling of comparable Liabilities under this Agreement.
- (d) *Non-U.S. Employees*. SpinCo Group Employees and Former SpinCo Group Employees who are residents outside of the United States or otherwise are subject to non-U.S. Law and their related benefits and Liabilities shall be treated in the same manner as the SpinCo Group Employees and Former SpinCo Group Employees, respectively, who are residents

of the United States and are not subject to non-U.S. Law. Notwithstanding anything in this Agreement to the contrary, all actions taken with respect to non-U.S. Employees or U.S. Employees working in non-U.S. jurisdictions, including any action under a Benefit Plan, shall be subject to and accomplished in accordance with applicable Law in the custom of the applicable jurisdictions and SpinCo may make such changes, modifications or amendments to the SpinCo Benefit Plans as may be required by applicable Law, vendor limitations or as are necessary to reflect the Separation.

Section 2.02. <u>Service Credit Recognized by SpinCo and SpinCo Benefit Plans</u>. As of the Effective Time, the SpinCo Benefit Plans shall, and SpinCo shall cause each member of the SpinCo Group to, recognize each SpinCo Group Employee's and each Former SpinCo Group Employee's full service with Parent or any of its Subsidiaries or predecessor entities at or before the Effective Time, to the same extent that such service was recognized by Parent for similar purposes prior to the Effective Time as if such full service had been performed for a member of the SpinCo Group, for purposes of eligibility, vesting and determination of level of benefits under any SpinCo Benefit Plans.

### Section 2.03. Adoption and Transfer and Assumption of Benefit Plans.

- (a) Adoption by SpinCo of Benefit Plans. As of no later than the Effective Time, SpinCo shall, or shall cause the members of the SpinCo Group to, adopt Benefit Plans (and related trusts, if applicable) as contemplated and in accordance with the terms of this Agreement, which Benefit Plans are generally intended to contain terms substantially similar in all material respects to those of the corresponding Parent Benefit Plans as in effect immediately prior to the Effective Time, with such changes, modifications or amendments to the SpinCo Benefit Plans as may be required by applicable Law or to reflect the Separation and Distribution, including limiting participation in any such SpinCo Benefit Plan to SpinCo Group Employees and Former SpinCo Group Employees who participated in the corresponding Benefit Plan immediately prior to the Effective Time.
- (b) Plans Not Required to Be Adopted. With respect to any Benefit Plan not otherwise addressed in this Agreement, the Parties shall agree in good faith on the treatment of such plan, taking into account the handling of any comparable plan under this Agreement and, notwithstanding that SpinCo shall not have an obligation to continue to maintain any such plan with respect to the provision of future benefits from and after the Effective Time, SpinCo shall remain obligated to pay or provide any previously accrued or incurred benefits to the SpinCo Group Employees and Former SpinCo Group Employees consistent with Section 2.01(a) of this Agreement.
- (c) Information, Elections and Beneficiary Designations. Each Party shall use its commercially reasonable efforts to provide the other Party with information describing each Benefit Plan election made by an Employee or Former Employee that may have application to such Party's Benefit Plans from and after the Effective Time, and each Party shall use its commercially reasonable efforts to administer its Benefit Plans using those elections, including any beneficiary designations. Each Party shall, upon reasonable request, use its commercially reasonable efforts to provide the other Party and the other Party's respective Affiliates, agents,

and vendors all information reasonably necessary to the other Party's operation or administration of its Benefit Plans.

- (d) No Duplication or Acceleration of Benefits. Notwithstanding anything to the contrary in this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement, no participant in any Benefit Plan shall receive service credit or benefits or recognition of compensation or other factors to the extent that receipt of such service credit or benefits or recognition of compensation or other factors would result in duplication of benefits provided to such participant by the corresponding Benefit Plan or any other plan, program or arrangement sponsored or maintained by a member of the Group that sponsors the corresponding Benefit Plan. Furthermore, unless expressly provided for in this Agreement, the Separation and Distribution Agreement or in any Ancillary Agreement or required by applicable Law, no provision in this Agreement shall be construed to (i) create any right to accelerate vesting distributions or entitlements under any Benefit Plan sponsored or maintained by a member of the Parent Group or member of the SpinCo Group on the part of any Employee or Former Employee or (ii) limit the ability of a member of the Parent Group or SpinCo Group to amend, merge, modify, eliminate, reduce or otherwise alter in any respect any benefit under any Benefit Plan sponsored or maintained by a member of the Parent Group or SpinCo Group, respectively, or any trust, insurance policy or funding vehicle related thereto.
- (e) Transition Services. The Parties acknowledge that the Parent Group or the SpinCo Group may provide administrative services for certain of the other Party's compensation and benefit programs for a transitional period under the terms of the Transition Services Agreement. The Parties agree to enter into a business associate agreement (if required by HIPAA or other applicable health information privacy Laws) in connection with such Transition Services Agreement.
- (f) *Beneficiaries*. References to Parent Group Employees, Former Parent Group Employees, SpinCo Group Employees, Former SpinCo Group Employees, and current and former nonemployee directors of either Parent or SpinCo shall be deemed to refer to their beneficiaries, dependents, survivors and alternate payees, as applicable.

### Section 2.04. Reimbursement.

### (a) By SpinCo.

(i) From time to time after the completion of the Separation, SpinCo shall promptly reimburse Parent for the cost of any obligations or Liabilities that Parent elects to, or is compelled to, pay or otherwise satisfy, that are or that pursuant to this Agreement have become, the responsibility of the SpinCo Group. Parent shall invoice SpinCo after the end of each fiscal month for all such costs (if any) in such fiscal month. SpinCo shall pay any amounts due by SpinCo hereunder in immediately available funds within thirty (30) days of SpinCo's receipt of each invoice therefor. Any amount not paid within thirty (30) days after the date when payable shall bear interest at the rate described in the definition of Interest Payment (as defined in the Transition Services Agreement) from the date such amount is due. SpinCo shall not deduct, set off, counterclaim or otherwise withhold any amount owed by it to Parent (on account of any obligation owed by the Parent Group, whether or not such obligation has been finally

adjudicated, settled or otherwise agreed upon in writing) against the amounts payable pursuant to this Agreement; provided that if SpinCo disputes any amount on an invoice, SpinCo shall notify Parent in writing within twenty (20) days after SpinCo's receipt of such invoice and shall describe in detail the reason for disputing such amount, provide any documents or other materials supporting its dispute, and will be entitled to withhold only the amount in dispute during the pendency of the dispute. SpinCo shall cause the timely payment of the undisputed portion of each invoice in the manner set forth in this Agreement and shall be subject to late charges at the rate described in the definition of Interest Payment and any other costs incurred by Parent pursuant to this Section 2.04(a) on any amount that is unsuccessfully disputed.

- (ii) In addition, if SpinCo or any member of the SpinCo group receives a repayment of relocation expenses, sign-on bonus, or other compensation that was originally paid by a member of the Parent Group, then SpinCo shall, or shall cause a SpinCo Group entity to, pay to Parent the amount of such compensation repayment in immediately available funds within thirty (30) days of the receipt of such compensation repayment by SpinCo or a member of the SpinCo Group.
- (b) By Parent. From time to time after the completion of the Separation, Parent shall promptly reimburse SpinCo for the cost of any obligations or Liabilities that SpinCo elects to, or is compelled to, pay or otherwise satisfy, that are or that pursuant to this Agreement have become, the responsibility of the Parent Group. SpinCo shall invoice Parent after the end of each fiscal month for all such costs (if any) in such fiscal month. Parent shall pay any amounts due by Parent hereunder in immediately available funds within thirty (30) days of Parent's receipt of each invoice therefor. Any amount not paid within thirty (30) days after the date when payable shall bear interest at the rate described in the definition of Interest Payment from the date such amount is due. Parent shall not deduct, set off, counterclaim or otherwise withhold any amount owed by it to SpinCo (on account of any obligation owed by the SpinCo Group, whether or not such obligation has been finally adjudicated, settled or otherwise agreed upon in writing) against the amounts payable pursuant to this Agreement; provided that if Parent disputes any amount on an invoice, Parent shall notify SpinCo in writing within twenty (20) days after Parent's receipt of such invoice and shall describe in detail the reason for disputing such amount, provide any documents or other materials supporting its dispute, and will be entitled to withhold only the amount in dispute during the pendency of the dispute. Parent shall cause the timely payment of the undisputed portion of each invoice in the manner set forth in this Agreement and shall be subject to late charges at the rate described in the definition of Interest Payment and any other costs incurred by SpinCo and controlled pursuant to this Section 2.04(b) on any amount that is unsuccessfully disputed.

## ARTICLE III ASSIGNMENT OF EMPLOYEES

### Section 3.01. Active Employees.

(a) Assignment and Transfer of Employees. Effective as of no later than the Effective Time and except as otherwise agreed to by the Parties, (i) the applicable member of the Parent Group shall have taken such actions as are necessary to ensure that each individual who is intended to be an employee of the SpinCo Group as of immediately after the Effective Time

(including any such individual who is not actively working as of the Effective Time as a result of an illness, injury or an approved leave of absence) (collectively, the "SpinCo Group Employees") is employed by a member of the SpinCo Group as of immediately after the Effective Time, and (ii) the applicable member of the Parent Group shall have taken such actions as are necessary to ensure that each individual who is intended to be an employee of the Parent Group as of immediately after the Effective Time (including any such individual who is not actively working as of the Effective Time as a result of an illness, injury or an approved leave of absence) and any other individual employed by the Parent Group as of the Effective Time who is not a SpinCo Group Employee (collectively, the "Parent Group Employees") is employed by a member of the Parent Group as of immediately after the Effective Time. Each of the Parties agrees to execute, and to seek to have the applicable Employees execute, such documentation, if any, as may be necessary to reflect such assignment and/or transfer.

- (b) At-Will Status. Nothing in this Agreement shall create any obligation on the part of any member of the Parent Group or any member of the SpinCo Group to (i) continue the employment of any Employee or permit the return from a leave of absence for any period after the date of this Agreement (except as required by applicable Law) or (ii) change the employment status of any Employee from "at-will," to the extent that such Employee is an "at-will" employee under applicable Law. Except as provided in this Agreement, this Agreement shall not limit the ability of the Parent Group or the SpinCo Group to change the position, compensation or benefits of any Employees for performance-related, business or any other reason.
- (c) Non-compete, Severance, Change in Control, or Other Payments. The Parties acknowledge and agree that the Separation, Distribution and the assignment, transfer or continuation of the employment of Employees as contemplated by this Section 3.01 shall not be deemed an involuntary termination of employment entitling any SpinCo Group Employee or Parent Group Employee to non-compete, severance, change in control, or other payments or benefits.
- (d) Not a Change in Control. The Parties acknowledge and agree that neither the consummation of the Separation, Distribution nor any transaction contemplated by this Agreement, the Separation and Distribution Agreement or any other Ancillary Agreement shall be deemed a "change in control," "change of control," or term of similar import for purposes of any Benefit Plan sponsored or maintained by any member of the Parent Group or member of the SpinCo Group and except as provided in this Agreement or as otherwise required by applicable law or Individual Agreement, no provision of this Agreement shall be construed to accelerate any vesting or create an right or entitlement to any compensation or benefits on the part of any Employee.

#### Section 3.02. Individual Agreements.

(a) Assignment by Parent. To the extent necessary, Parent shall assign, or cause an applicable member of the Parent Group to assign, to SpinCo or another member of the SpinCo Group, as designated by SpinCo, all Individual Agreements (other than any provision relating to restrictive covenants), with such assignment to be effective as of no later than the Effective Time; provided, however, that to the extent that assignment of any such Individual

Agreement is not permitted by the terms of such agreement or by applicable Law, effective as of the Effective Time, each member of the SpinCo Group shall be considered to be a successor to each member of the Parent Group for purposes of, and a third-party beneficiary with respect to, such Individual Agreement, such that each member of the SpinCo Group shall enjoy all the rights and benefits under such agreement (including rights and benefits as a third-party beneficiary); provided, further, that in no event shall Parent be permitted to enforce any Individual Agreement (including any agreement containing noncompetition or nonsolicitation covenants) against a SpinCo Group Employee or Former SpinCo Group Employee for action taken in such individual's capacity as a SpinCo Group Employee or Former SpinCo Group Employee.

(b) Assumption by SpinCo. Effective as of the Effective Time, SpinCo shall, or shall cause the members of the SpinCo Group to, assume and honor any Individual Agreement to the extent assigned, including any obligations thereunder to which any SpinCo Group Employee or Former SpinCo Group Employee is a party with any member of the Parent Group.

Section 3.03. Consultation with Labor Representatives; Labor Agreements. The Parties shall cooperate to notify, inform and/or consult with any labor union, works council or other labor representative regarding the Separation and Distributions to the extent required by Law or a Labor Agreement. No later than as of immediately before the Effective Time, SpinCo shall have taken, or caused another member of the SpinCo Group to take, all actions that are necessary (if any) for SpinCo or another member of the SpinCo Group to (a) assume any Labor Agreements in effect with respect to SpinCo Group Employees and Former SpinCo Group Employees (excluding obligations thereunder with respect to any Parent Group Employees or Former Parent Group Employees, to the extent applicable) and (b) unless otherwise provided in this Agreement, assume and honor any obligations of the Parent Group under any Labor Agreements as such obligations relate to SpinCo Group Employees and Former SpinCo Group Employees. No later than as of immediately before the Effective Time, Parent shall have taken, or caused another member of the Parent Group to take, all actions that are necessary (if any) for Parent or another member of the Parent Group to (a) assume any Labor Agreements in effect with respect to Parent Group Employees and Former Parent Group Employees (excluding obligations thereunder with respect to any SpinCo Group Employees, or Former SpinCo Group Employees, the extent applicable) and (b) assume and honor any obligations of the SpinCo Group under any Labor Agreements as such obligations relate to Parent Group Employees and Former Parent Group Employees.

### Section 3.04. Non-Solicitation.

(a) *Non-Solicitation, Non-Hire*. Each Party agrees that, for the period of two (2) years immediately following the Effective Time, such Party shall, and shall cause each member in its Group, to not solicit for employment or hire any individual who is a salaried employee of a member of the other Group as of immediately prior to the Effective Time ("Restricted Employees"); provided that the foregoing restrictions shall not apply to: (i) any Restricted Employee who terminates employment (which for the avoidance of doubt, occurs at the end of any garden leave, if applicable) at least six (6) months prior to the applicable solicitation and/or hiring, (ii) the solicitation of a Restricted Employee whose employment was

involuntarily terminated by the employing Party in a severance qualifying termination before the employment discussions with the soliciting Party commenced, and (iii) any Restricted Employee whose prospective employment is agreed to in writing by the soliciting Party and the employing Party, or in the case of a Restricted Employee who is not currently employed, the Party who last employed Restricted Employee; and <u>provided</u>, <u>further</u> that it shall not be deemed to be a violation of this <u>Section 3.04</u> for either Party, or the members of its Group, to post a general solicitation that is not targeted at Restricted Employees of the other Party and the members of its Group.

(b) Remedies; Enforcement. Each Party acknowledges and agrees that (i) injury to the employing Party from any breach by the other Party of the obligations set forth in this Section 3.04 would be irreparable and impossible to measure and (ii) the remedies at Law for any breach or threatened breach of this Section 3.04, including monetary damages, would therefore be inadequate compensation for any loss and the employing Party shall have the right to specific performance and injunctive or other equitable relief in accordance with this Section 3.04, in addition to any and all other rights and remedies at Law or in equity, and all such rights and remedies shall be cumulative. Each Party understands and acknowledges that the restrictive covenants and other agreements contained in this Section 3.04 are an essential part of this Agreement and the transactions contemplated hereby. It is the intent of the Parties that the provisions of this Section 3.04 shall be enforced to the fullest extent permissible under applicable Law applied in each jurisdiction in which enforcement is sought. If any particular provision or portion of this Section 3.04 shall be adjudicated to be invalid or unenforceable, such provision or portion valid and enforceable, such amendment to apply only with respect to the operation of such provision or portion thereof in the particular jurisdiction in which such adjudication is made.

# ARTICLE IV EQUITY, INCENTIVE AND EXECUTIVE COMPENSATION

Section 4.01. Generally. Each Parent Award that is outstanding as of immediately prior to the Effective Time shall be adjusted as described below; provided, however that, prior to the Effective Time, the Parent Compensation Committee may provide for different adjustments with respect to some or all Parent Awards to the extent that the Parent Compensation Committee deems such adjustments necessary and appropriate. Any adjustments made by the Parent Compensation Committee pursuant to the foregoing sentence shall be deemed incorporated by reference herein as if fully set forth below and shall be binding on the Parties and their respective Affiliates. Before the Effective Time, the SpinCo Omnibus Plan shall be established, with such terms as are necessary to permit the implementation of the provisions of Section 4.02.

### Section 4.02. <u>Equity Incentive Awards</u>.

- (a) Option Awards. Each Parent Option Award that is outstanding immediately prior to the Effective Time shall be converted as of the Effective Time into either a Post-Separation Parent Option Award or a SpinCo Option Award as described below:
- (i) Each Parent Option Award held by a Parent Group Employee and Former Employee shall be converted as of the Effective Time, through an adjustment thereto, into a Post-Separation Parent Option Award and shall, except as otherwise provided in this Section 4.02(a), be subject to the same terms and conditions (including with respect to vesting and expiration) after the Effective Time as applicable to such Parent Option Award immediately prior to the Effective Time. From and after the Effective Time:
  - (A) the number of Parent Shares subject to such Post-Separation Parent Option Award, rounded down to the nearest whole number of shares, shall be equal to the product obtained by multiplying (1) the number of Parent Shares subject to the corresponding Parent Option Award immediately prior to the Effective Time, by (2) the Parent Ratio; and
  - (B) the per share exercise price of such Post-Separation Parent Option Award, rounded up to the nearest cent, shall be equal to the quotient obtained by dividing (1) the per share exercise price of the corresponding Parent Option Award as of immediately prior to the Effective Time, by (2) the Parent Ratio.
- (ii) Each Parent Option Award held by a SpinCo Group Employee (or, if applicable, a consultant who is expected to continue service with SpinCo following the Effective Time) shall be converted as of the Effective Time into a SpinCo Option Award outstanding under the SpinCo Omnibus Plan and shall, except as otherwise provided in this Section 4.02(a), be subject to the same terms and conditions (including with respect to vesting and expiration) after the Effective Time as applicable to such Parent Option Award immediately prior to the Effective Time. From and after the Effective Time:
  - (A) the number of SpinCo Shares subject to such SpinCo Option Award, rounded down to the nearest whole number of shares, shall be equal to the product obtained by multiplying (1) the number of Parent Shares subject to the corresponding Parent Option Award immediately prior to the Effective Time, by (2) the SpinCo Ratio; and
  - (B) the per share exercise price of such SpinCo Option Award, rounded up to the nearest cent, shall be equal to the quotient obtained by dividing (1) the per share exercise price of the corresponding Parent Option Award as of immediately prior to the Effective Time, by (2) the SpinCo Ratio.

Notwithstanding anything to the contrary in this <u>Section 4.02(a)</u>, the exercise price, the number of Parent Shares and SpinCo Shares subject to each Post-Separation Parent Option Award and SpinCo Option Award, and the terms and conditions of exercise of such options, shall be determined in a manner consistent with the requirements of Section 409A of the Code.

- (b) RSU Awards. Each Parent RSU Award that is outstanding as of immediately prior to the Effective Time shall be treated as follows:
- (i) If the holder is a Parent Group Employee, Former Employee, or Parent Director, such award shall be converted, as of the Effective Time, into a Post-Separation Parent RSU Award, and shall, except as otherwise provided in this Section 4.02, be subject to the same terms and conditions (including with respect to vesting) after the Effective Time as were applicable to such Parent RSU Award immediately prior to the Effective Time; provided, however, that from and after the Effective Time, the number of Parent Shares subject to such Post-Separation Parent RSU Award shall be equal to the product, rounded to the nearest whole number of shares, obtained by multiplying (A) the number of Parent Shares subject to the corresponding Parent RSU Award immediately prior to the Effective Time, by (B) the Parent Ratio.
- (ii) If the holder is a SpinCo Group Employee or a Transferred Director, such award shall be converted, as of the Effective Time, into a SpinCo RSU Award, and shall, except as otherwise provided in this Section 4.02, be subject to the same terms and conditions (including with respect to vesting) after the Effective Time as were applicable to such Parent RSU Award immediately prior to the Effective Time; provided, however, that from and after the Effective Time, the number of SpinCo Shares subject to such SpinCo RSU Award shall be equal to the product, rounded to the nearest whole number of shares, obtained by multiplying (A) the number of Parent Shares subject to the corresponding Parent RSU Award immediately prior to the Effective Time, by (B) the SpinCo Ratio.
- (c) Event-Based RSU Awards. Each Parent Event-Based RSU Award that is outstanding as of immediately prior to the Effective Time and held by a Parent Group Employee or Former Employee be converted in the same manner as described in Section 4.02(b)(i) into a Post-Separation Parent RSU Award. Each Parent Event-Based RSU Award that is outstanding as of immediately prior to the Effective Time and held by a SpinCo Group Employee shall be converted in the same manner as described in Section 4.02(b)(ii) into a SpinCo RSU Award.
- (d) Performance-Based RSU Awards. Each Parent Performance-Based RSU Award that is outstanding as of immediately prior to the Effective Time shall be converted, as of the Effective Time, into a Post-Separation Parent Performance-Based RSU Award, and shall, except as otherwise provided in this Section 4.02(d), be subject to the same terms and conditions (including with respect to time-based vesting) after the Effective Time as were applicable to such Parent Performance-Based RSU Award immediately prior to the Effective Time; provided, however, that from and after the Effective Time, the number of Parent Shares subject to such Post-Separation Parent Performance-Based RSU Award shall be equal to the product, rounded to the nearest whole number of shares, obtained by multiplying (A) the number of Parent Shares subject to the corresponding Parent Performance-Based RSU Award immediately prior to the Effective Time, by (B) the Parent Ratio. The applicable performance-based vesting conditions may be modified in a manner determined by the Parent Compensation Committee prior to the Effective Time.
- (e) Miscellaneous Award Terms. None of the Separation, the Distribution or any employment transfer described in Section 3.01(a) shall constitute a termination of

employment for any Employee or termination of service for any non-employee director for purposes of any Post-Separation Parent Award or any SpinCo Award. After the Effective Time, for any award adjusted under this Section 4.02, any reference to a "change in control," "change of control" or similar definition in an award agreement, employment agreement or Parent Omnibus Plan applicable to such award (x) with respect to Post-Separation Parent Awards shall be deemed to refer to a "change in control," "change of control" or similar definition as set forth in the applicable award agreement, employment agreement or Parent Omnibus Plan, and (y) with respect to SpinCo Awards, shall be deemed to refer to a "Change in Control" as defined in the SpinCo Omnibus Plan.

(f) Registration and Other Regulatory Requirements. SpinCo agrees to file the appropriate registration statements with respect to, and to cause to be registered pursuant to the Securities Act, the SpinCo Shares authorized for issuance under the SpinCo Omnibus Plan, as required pursuant to the Securities Act, not later than the Effective Time and in any event before the date of issuance of any SpinCo Shares pursuant to the SpinCo Omnibus Plan. The Parties shall take such additional actions as are deemed necessary or advisable to effectuate the foregoing provisions of this Section 4.02(f), including, to the extent applicable, compliance with securities Laws and other legal requirements associated with equity compensation awards in affected non-U.S. jurisdictions.

Section 4.03. <u>Employee Stock Purchase Plan</u>. The accumulated payroll deductions of any SpinCo Group Employee under the Parent ESPP immediately prior to the Effective Time shall be returned to such SpinCo Group Employee as soon as practical following the Effective Time in accordance with the procedure established by Parent for such purpose.

### Section 4.04. <u>Non-Equity Incentive Practices and Plans</u>.

#### (a) Corporate Bonus Practices.

(i) The SpinCo Group shall be responsible for determining all bonus awards that would otherwise be payable under the SpinCo Non-Equity Incentive Practices to SpinCo Group Employees or Former SpinCo Group Employees for any performance periods that are open when the Effective Time occurs. The SpinCo Group shall also determine for SpinCo Group Employees or Former SpinCo Group Employees (A) the extent to which established performance criteria (as interpreted by the SpinCo Group, in its sole discretion) have been met, and (B) the payment level for each SpinCo Group Employee or Former SpinCo Group Employee. The SpinCo Group shall assume all Liabilities with respect to any such bonus awards payable to SpinCo Group Employees or Former SpinCo Group Employees for any performance periods that are open when the Effective Time occurs and thereafter, and no member of the Parent Group shall have any obligations with respect thereto.

(ii) The Parent Group shall be responsible for determining all bonus awards that would otherwise be payable under the Parent Non-Equity Incentive Practices to Parent Group Employees or Former Parent Group Employees for any performance periods that are open when the Effective Time occurs. The Parent Group shall also determine for Parent Group Employees or Former Parent Group Employees (A) the extent to which established performance criteria (as interpreted by the Parent Group, in its sole discretion) have been met,

and (B) the payment level for each Parent Group Employee or Former Parent Group Employee. The Parent Group shall retain (or assume as necessary) all Liabilities with respect to any such bonus awards payable to Parent Group Employees or Former Parent Group Employees for any performance periods that are open when the Effective Time occurs and thereafter, and no member of the SpinCo Group shall have any obligations with respect thereto.

### (b) Cash Long-Term Incentive Awards.

- (i) The SpinCo Group shall assume all Liabilities with respect to any long-term cash incentive awards payable to SpinCo Group Employees or Former SpinCo Group Employees for any performance periods that are open when the Effective Time occurs and thereafter, and no member of the Parent Group shall have any obligations with respect thereto.
- (ii) The Parent Group shall retain (or assume as necessary) all Liabilities with respect to any long-term cash incentive awards payable to Parent Group Employees or Former Parent Group Employees for any performance periods that are open when the Effective Time occurs and thereafter, and no member of the SpinCo Group shall have any obligations with respect thereto. The applicable performance-based vesting conditions may be modified in a manner determined by the Parent Compensation Committee prior to the Effective Time.

### (c) Other Cash Incentive Plans.

- (i) No later than the Effective Time, the Parent Group shall continue to retain (or assume as necessary) any cash incentive plan for the exclusive benefit of Parent Group Employees and Former Parent Group Employees, whether or not sponsored by the Parent Group, and, from and after the Effective Time, shall be solely responsible for all Liabilities thereunder.
- (ii) No later than the Effective Time, the SpinCo Group shall continue to retain (or assume as necessary) any cash incentive plan for the exclusive benefit of SpinCo Group Employees and Former SpinCo Group Employees, whether or not sponsored by the SpinCo Group, and, from and after the Effective Time, shall be solely responsible for all Liabilities thereunder.
- Section 4.05. <u>Director Compensation</u>. Parent shall be responsible for the payment of any fees for service on the Parent Board that are earned at, before, or after the Effective Time, and SpinCo shall not have any responsibility for any such payments. With respect to any SpinCo nonemployee director, SpinCo shall be responsible for the payment of any fees for service on the SpinCo Board that are earned at any time after the Effective Time, and Parent shall not have any responsibility for any such payments. For the avoidance of doubt, with respect to the quarter in which the Distribution Date occurs, for any Transferred Director, Parent shall be responsible for the payment of director's fees for the period up to the Distribution Date and SpinCo shall be responsible for the payment of director's fees for the period on or after the Distribution Date.

### ARTICLE V QUALIFIED RETIREMENT PLANS

- Section 5.01. <u>Parent Employee Retirement Plan</u>. Parent shall assume and retain the XPO Logistics Pension Plan as of the Effective Time and no member of the SpinCo Group shall assume or retain any Liability with respect to the XPO Logistics Pension Plan. Following the Effective Time, no SpinCo Group Employee shall be credited with any additional service under the XPO Logistics Pension Plan.
- Section 5.02. <u>U.K. Retirement Plan</u>. SpinCo shall assume and retain the XPO Pension Scheme as of the Effective Time and no member of the Parent Group shall assume or retain any Liability with respect to the XPO Pension Scheme. Following the Effective Time, no Parent Group Employee shall be credited with any additional service under the XPO Pension Scheme.

## Section 5.03. SpinCo 401(k) Plans.

- (a) Establishment of Plan. Effective on or before the Distribution Date, SpinCo shall or shall cause the members of the SpinCo Group to, adopt and establish SpinCo 401(k) Plans and a related trusts (the "SpinCo 401(k) Trust"), which shall be intended to meet the tax qualification requirements of Section 401(a) of the Code, the tax exemption requirement of Section 501(a) of the Code, and the requirements described in Sections 401(k) and (m) of the Code and which shall have substantially the similar terms in all material respects as of immediately prior to the Distribution Date as each corresponding Parent 401(k) Plan. Notwithstanding the foregoing, SpinCo may make such changes, modifications or amendments to each SpinCo 401(k) Plan as may be required by applicable Law or as are necessary and appropriate to reflect the Separation or which result from vendor limitations. SpinCo shall undertake to obtain a favorable determination letter with respect to the SpinCo 401(k) Plan.
- (b) Transfer of Account Balances. No later than thirty (30) days following the Effective Time (or such other times as mutually agreed to by the Parties), Parent shall cause the trustee of each Parent 401(k) Plan to transfer from the trust which forms a part of each Parent 401(k) Plan to the corresponding SpinCo 401(k) Trust, the account balances of SpinCo Group Employees under the corresponding Parent 401(k) Plan, determined as of the date of the transfer. Unless otherwise agreed by the Parties, such transfers shall be made in kind, including promissory notes evidencing the transfer of outstanding loans. Any Asset and Liability transfers pursuant to this Section 5.03 shall comply in all respects with Sections 414(l) and 411(d)(6) of the Code and, if required, shall be made not less than thirty (30) days after Parent shall have filed the notice under Section 6058(b) of the Code with respect to the applicable Parent 401(k) Plan. The Parties agree that to the extent that any Assets are not transferred in kind, the assets transferred will be mapped into an appropriate investment vehicle.
- (c) Transfer of Liabilities. Effective as of the Effective Time but subject to the Asset transfer specified in Section 5.03(b) above, each SpinCo 401(k) Plan shall assume and be solely responsible for all the Liabilities for or relating to SpinCo Group Employees under the corresponding Parent 401(k) Plan. SpinCo shall be responsible for all ongoing rights of or relating to SpinCo Group Employees for future participation (including the right to make payroll deductions) in each SpinCo 401(k) Plan.

- (d) Plan Provisions of SpinCo 401(k) Plans. Each SpinCo 401(k) Plan shall provide that:
- (i) SpinCo Group Employees shall be eligible to participate in a SpinCo 401(k) Plan as of the Effective Time to the extent that they were eligible to participate in the corresponding Parent 401(k) Plan as of immediately prior to the Effective Time;
- (ii) the account balance of each SpinCo Group Employee under a Parent 401(k) Plan as of the date of the transfer of Assets from such Parent 401(k) Plan (including any outstanding promissory notes relating to outstanding loans) shall be credited to such individual's account under the corresponding SpinCo 401(k) Plan; and
- (iii) each SpinCo 401(k) Plan shall assume and honor the terms of all QDROs in effect under the corresponding Parent 401(k) Plan in respect of SpinCo Group Employees immediately prior to the Effective Time.
- (e) Plan Fiduciaries. For all periods at and after the Effective Time, the parties agree that the applicable fiduciaries of each of the Parent 401(k) Plans and the SpinCo 401(k) Plans, respectively, shall have the authority with respect to the Parent 401(k) Plans and the SpinCo 401(k) Plans, respectively, to determine the investment alternatives, the terms and conditions with respect to those investment alternatives and such other matters as are within the scope of their duties under ERISA and the terms of the applicable plan documents.
- Section 5.04. Puerto Rico Savings Plan. Effective on or before the Distribution Date, SpinCo shall or shall cause the members of the SpinCo Group to adopt and establish a SpinCo Puerto Rico Savings Plan and related trust which shall have substantially similar terms in all material respects as of immediately prior to the Distribution Date as the corresponding Parent Puerto Rico Savings Plan. Notwithstanding the foregoing, SpinCo may make such changes, modifications or amendments to the SpinCo Puerto Rico Savings Plan as may be required by applicable Law or as are necessary and appropriate to reflect the Separation or which result from vendor limitations. The Parties shall implement the provisions of Section 5.03 to the extent applicable under the same or similar substantive requirements of Puerto Rico and comply with applicable Law (including any regulatory approvals) to effectuate the transfer of account balances, liabilities and participation of eligible SpinCo Group Employees in the SpinCo Puerto Rico Savings Plan.

### Section 5.05. Canada Defined Contribution Plan.

(a) Effective on or before the Distribution Date, SpinCo shall, or shall cause the members of the SpinCo Group to, adopt and establish the SpinCo Canada Defined Contribution Plan and a related fund (the "SpinCo Canada Defined Contribution Fund") that shall have substantially similar terms in all material respects as of immediately prior to the Distribution Date as the Parent Canada Defined Contribution Plan. Notwithstanding the foregoing, SpinCo may make such changes, modifications or amendments to the SpinCo Canada Defined Contribution Plan as may be required by applicable Law or as are necessary and appropriate to reflect the Separation or that result from vendor limitations.

- (b) Transfer of Account Balances. No later than thirty (30) days following the Effective Time (or such other times as mutually agreed to by the Parties), Parent shall cause the funding agent of the Parent Canada Defined Contribution Plan to transfer from the fund that forms a part of the Parent Canada Defined Contribution Plan to the SpinCo Group Employees under the Parent Canada Defined Contribution Plan, determined as of the date of the transfer. Any Asset and Liability transfers pursuant to this Section 5.05 shall comply in all respects with the requirements of applicable Law. For greater certainty, the Parties shall, or shall cause their respective Affiliates to, cooperate in providing such notices to the affected SpinCo Group Employees as may be necessary to effect such transfer of account balances in compliance with applicable Law and published regulatory guidance. The Parties agree that to the extent that any Assets are not transferred in kind, SpinCo will map the Assets transferred into an appropriate investment vehicle.
- (c) Transfer of Liabilities. Effective as of the Effective Time but subject to the Asset transfer specified in Section 5.05(b) above, the SpinCo Canada Defined Contribution Plan shall assume and be solely responsible for all the Liabilities for or relating to SpinCo Group Employees under the Parent Canada Defined Contribution Plan. SpinCo shall be responsible for all ongoing rights of or relating to SpinCo Group Employees for future participation in the SpinCo Canada Defined Contribution Plan.
- (d) SpinCo Canada Defined Contribution Plan Provisions. The SpinCo Canada Defined Contribution Plan shall provide that:
- (i) SpinCo Group Employees shall be eligible to participate in a SpinCo Canada Defined Contribution Plan as of the Effective Time to the extent that they were eligible to participate in the corresponding Parent Canada Defined Contribution Plan as of immediately prior to the Effective Time;
- (ii) the account balance of each SpinCo Group Employee under the Parent Canada Defined Contribution Plan as of the date of the transfer of Assets from such Parent Canada Defined Contribution Plan shall be credited to such individual's account under the corresponding SpinCo Canada Defined Contribution Plan; and
- (e) *Plan Fiduciaries*. For all periods at and after the Effective Time, the Parties agree that the applicable fiduciaries of the Parent Canada Defined Contribution Plan and the SpinCo Canada Defined Contribution Plan, respectively, shall have the authority with respect to the Parent Canada Defined Contribution Plan and the SpinCo Canada Defined Contribution Plan, respectively, to determine the investment alternatives, the terms and conditions with respect to those investment alternatives and such other matters as are within the scope of their duties under applicable Law and the terms of the applicable plan documents.

## ARTICLE VI NONQUALIFIED DEFERRED COMPENSATION PLANS

Section 6.01. <u>Parent Deferred Compensation Plans</u>. Parent shall, or shall cause a member of the Parent Group to, assume and retain all Liabilities and Assets with respect to the

Parent Deferred Compensation Plans and related rabbi trusts with respect to Employees and Former Employees, whether arising before, on or after the Distribution Date and no member of the SpinCo Group shall assume or retain any Liabilities and Assets with respect to such Parent Deferred Compensation Plan and the related rabbi trust. Following the Effective Time, no SpinCo Employee or Former SpinCo Employee shall be credited with any additional service under the Parent Deferred Compensation Plans; provided that, any SpinCo Group Employee who is a participant in the 2005 Con-Way Plan immediately prior to the Effective Time and has made an irrevocable salary deferral election for the 2021 calendar year with respect to such plan shall be credited under such plan with any salary deferral amounts made pursuant to such election. In connection with the forgoing, promptly following the end of the 2021 calendar year, SpinCo shall transfer to Parent an aggregate amount in cash equal to the aggregate amount of such salary deferrals less any applicable payroll Taxes, which amount shall be promptly contributed by Parent to the rabbi trust associated with the 2005 Con-Way Plan.

Section 6.02. <u>Jacobson Companies Deferred Compensation Plan</u>. SpinCo Group shall assume and retain the Liabilities and Assets of the Jacobson Companies Deferred Compensation Plan and related rabbi trust as of the Effective Time and no member of the Parent Group shall assume or retain any Liabilities and Assets with respect to the Jacobson Companies Deferred Compensation Plan and the related rabbi trust. Following the Effective Time, to the extent applicable, no Parent Group Employee shall be credited with any additional service under the Jacobson Companies Deferred Compensation Plan.

Section 6.03. <u>Participation</u>; <u>Distributions</u>. The Parties acknowledge that none of the transactions contemplated by this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement shall trigger a payment or distribution of compensation under any of the Parent Deferred Compensation Plans or under the Jacobson Companies Deferred Compensation Plan for any participant and, consequently, that the payment or distribution of any compensation to which such participant is entitled under any such plan shall occur upon such participant's separation from service from the Parent Group or SpinCo Group or at such other time as provided in the applicable deferred compensation plan or participant's deferral election.

## ARTICLE VII WELFARE BENEFIT PLANS

## Section 7.01. Welfare Plans.

(a) Establishment of SpinCo Welfare Plans. Except as otherwise provided in this Article VII, as of or before the Effective Time, SpinCo shall, or shall cause the members of the SpinCo Group to establish the SpinCo Welfare Plans pursuant to Section 2.03(a) that generally correspond to the Parent Welfare Plans in which such SpinCo Group Employees participate immediately prior to the Effective Time, with such changes, modifications or amendments as may be required by applicable Law or as are necessary and appropriate to reflect the Separation. In addition, SpinCo or members of the SpinCo Group shall retain the right to modify, amend, alter or terminate the terms of any SpinCo Welfare Plan to the same extent that the Parent Group had such rights under the corresponding Parent Welfare Plan.

- (b) Waiver of Conditions; Benefit Maximums. SpinCo shall, or shall cause the members of the SpinCo Group to, use commercially reasonable efforts to cause the SpinCo Welfare Plans to:
- (i) with respect to the enrollment as of the Effective Time, waive (x) all limitations as to preexisting conditions, exclusions, and service conditions with respect to participation and coverage requirements applicable to any SpinCo Group Employee or Former SpinCo Group Employee, other than limitations that were in effect with respect to the SpinCo Group Employee or Former SpinCo Group Employee under the applicable Parent Welfare Plan as of immediately prior to the Effective Time, and (y) any waiting period limitation or evidence of insurability requirement applicable to a SpinCo Group Employee or Former SpinCo Group Employee other than limitations or requirements that were in effect with respect to such SpinCo Group Employee or Former SpinCo Group Employee under the applicable Parent Welfare Plans as of immediately prior to the Effective Time; and
- (ii) take into account (x) with respect to aggregate annual, lifetime, or similar maximum benefits available under the SpinCo Welfare Plans, a SpinCo Group Employee's or Former SpinCo Group Employee's prior claim experience under the Parent Welfare Plans and any Benefit Plan that provides leave benefits; and (y) any eligible expenses incurred by a SpinCo Group Employee or Former SpinCo Group Employee and his or her covered dependents during the portion of the plan year of the applicable Parent Welfare Plan ending as of the Effective Time to be taken into account under such SpinCo Welfare Plan for purposes of satisfying all deductible, coinsurance, and maximum out-of-pocket requirements applicable to such SpinCo Group Employee or Former SpinCo Group Employee and his or her covered dependents for the applicable plan year to the same extent as such expenses were taken into account by Parent for similar purposes prior to the Effective Time as if such amounts had been paid in accordance with such SpinCo Welfare Plan.
- (c) Allocation of Welfare Plan Assets and Liabilities. Effective as of the Effective Time and except as otherwise provided in this Article VII, the Parent Group shall retain or assume, as applicable, and be responsible for all assets (including any insurance contracts, policies or other funding vehicles) and Liabilities relating to, arising out of or resulting from health and welfare coverage or claims incurred by or on behalf of Parent Group Employees or Former Parent Group Employees under the Parent Welfare Plans or SpinCo Welfare Plans before, at, or after the Effective Time, and the SpinCo Group shall retain or assume, as applicable, and be responsible for all assets (including any insurance contracts, policies or other funding vehicles) and Liabilities relating to, arising out of or resulting from health and welfare coverage or claims incurred by or on behalf of SpinCo Group Employees or Former SpinCo Group Employees under the SpinCo Welfare Plans or Parent Welfare Plans before, at, or after the Effective Time. No SpinCo Welfare Plan shall provide coverage to any Parent Group Employee or Former Parent Group Employee after the Effective Time, and except as provided in this Article VII, no Parent Welfare Plan shall provide coverage to any SpinCo Group Employee or Former SpinCo Group Employee after the Effective Time.

#### Section 7.02. Retiree Medical Plans.

- (a) Retention of Retiree Medical. Parent shall retain all Liabilities and Assets under the Parent Retiree Medical Plans with respect to any Employee or Former Employee who immediately prior to the Effective Time (i) is a participant in a Parent Retiree Medical Plan or (ii) will satisfy the eligibility, participation and other applicable requirements under the Parent Retiree Medical Plan upon commencement of retirement, taking into account any additional credit for vesting under Section 7.02(b). Such Employee and Former Employees shall be entitled to coverage under such Parent Retiree Medical Plan in accordance with and subject to the terms of such plan as such plan may be amended from time to time by a member of the Parent Group, unless such plan is terminated by a member of the Parent Group. For the avoidance of doubt, (i) Parent or members of the Parent of Group shall retain the right to modify, amend, alter or terminate the terms of any Parent Welfare Plan, including the Retiree Medical Plan and (ii).no member of the SpinCo Group shall be required to establish a retiree medical plan pursuant to the terms of this Agreement.
- (b) Additional Vesting Credit. Parent shall or shall cause another member of the XPO Group to amend the XPO Logistics, Inc. Retiree Benefit Plan (formerly the Con-Way Retiree Medical Plan) to provide that for the period commending at the Effective Time and ending on December 31, 2021, each SpinCo Employee who was eligible for such plan as of immediately prior to the Effective Time shall be given vesting credit for service with members of the SpinCo Group during such period for purposes of such plan.

Section 7.03. COBRA. The Parent Group shall continue to be responsible for complying with, and providing coverage pursuant to, the health care continuation requirements of COBRA, and the corresponding provisions of the Parent Welfare Plans with respect to any Parent Group Employees and any Former Parent Group Employees (and their covered dependents) who experience a qualifying event under COBRA before, as of, or after the Effective Time, including, where applicable, administration of the COBRA premium assistance subsidy under the American Rescue Plan Act of 2021. Effective as of the Effective Time, the SpinCo Group shall assume responsibility for complying with, and providing coverage pursuant to, the health care continuation requirements of COBRA, and the corresponding provisions of the SpinCo Welfare Plans with respect to any SpinCo Group Employees or Former SpinCo Group Employees (and their covered dependents) who experience a qualifying event under the SpinCo Welfare Plans and/or the Parent Welfare Plans before, as of, or after the Effective Time, including, where applicable, administration of the COBRA premium assistance subsidy under the American Rescue Plan Act of 2021. The Parties agree that the consummation of the transactions contemplated by the Separation and Distribution Agreement shall not constitute a COBRA qualifying event for any purpose of COBRA. The Parties further agree to work together to ensure that refunds for COBRA payments are promptly made to assistance eligible individuals and to provide the other Party with whatever information is necessary to enable that Party to timely and accurately claim its respective share of the premium assistance tax credit.

Section 7.04. <u>Flexible Spending Accounts</u>. As of no later than the Effective Time, SpinCo shall, or shall cause the members of the SpinCo Group to, establish SpinCo Welfare Plans, including a cafeteria plan that shall provide health or dependent care flexible spending

account benefits to SpinCo Group Employees on and after the Effective Time (collectively, the "SpinCo Flex Plan"). The Parties shall use commercially reasonable efforts to ensure that as of the Effective Time any health and dependent care flexible spending accounts of SpinCo Group Employees (whether positive or negative) (the "Transferred Account Balances") under Parent Welfare Plans are transferred as soon as practicable after the Effective Time, from the Parent Welfare Plans to the SpinCo Flex Plan. Such SpinCo Flex Plan shall assume responsibility as of the Effective Time for all outstanding health or dependent care claims under the corresponding Parent Welfare Plans of each SpinCo Group Employee as of the first day of the year in which the Effective Time occurs and shall assume and agree to perform the obligations of the corresponding Parent Welfare Plans from and after the Effective Time. As soon as practicable after the Effective Time, and in any event within thirty (30) days after the amount of the Transferred Account Balances is determined or such later date as mutually agreed upon by the Parties, Parent shall pay SpinCo the net aggregate amount of the Transferred Account Balances, if such amount is positive, and SpinCo shall pay Parent the net aggregate amount of the Transferred Account Balances, if such amount is negative.

Section 7.05. <u>Disability Plans</u>. The Parent Group shall assume and retain all Liabilities for long-term disability benefits with respect to any Parent Group Employee or Former Parent Group Employee. The SpinCo Group shall assume and retain all Liabilities with respect to any SpinCo Group Employee or Former SpinCo Group Employee.

Section 7.06. <u>Vacation, Holidays and Leaves of Absence</u>. Effective as of no later than the Effective Time, the SpinCo Group shall assume all Liabilities of the SpinCo Group with respect to vacation, holiday, annual leave or other leave of absence, and required payments related thereto, for each SpinCo Group Employee, unless otherwise required by applicable Law. The Parent Group shall retain all Liabilities with respect to vacation, holiday, annual leave or other leave of absence, and required payments related thereto, for each Parent Group Employee.

Section 7.07. <u>Workers' Compensation</u>. The treatment of workers' compensation claims shall be governed by Section 5.1 of the Separation and Distribution Agreement.

Section 7.08. <u>Insurance Contracts</u>. To the extent that any Welfare Plan is funded through the purchase of an insurance contract or is subject to any stop-loss contract, the Parties shall cooperate and use their commercially reasonable efforts to replicate such insurance contracts for SpinCo or Parent as applicable (except to the extent that changes are required under applicable Law or filings by the respective insurers) and to maintain any pricing discounts or other preferential terms for both Parent and SpinCo for a reasonable term. Neither Party shall be liable for failure to obtain such insurance contracts, pricing discounts, or other preferential terms for the other Party. Each Party shall be responsible for any additional premiums, charges, or administrative fees that such Party may incur pursuant to this <u>Section 7.08</u>.

Section 7.09. <u>Third-Party Vendors</u>. Except as provided below, to the extent that any Welfare Plan is administered by a third-party vendor, the Parties shall cooperate and use their commercially reasonable efforts to replicate any contract with such third-party vendor for Parent or SpinCo, as applicable, and to maintain any pricing discounts or other preferential terms for both Parent and SpinCo for a reasonable term. Neither Party shall be liable for failure to obtain such pricing discounts or other preferential terms for the other Party. Each Party shall be

responsible for any additional premiums, charges, or administrative fees that such Party may incur pursuant to this Section 7.09.

## ARTICLE VIII MISCELLANEOUS

- Section 8.01. <u>Preservation of Rights to Amend</u>. Except as set forth in this Agreement, the rights of each member of the Parent Group and each member of the SpinCo Group to amend, waive, or terminate any plan, arrangement, agreement, program, or policy referred to herein shall not be limited in any way by this Agreement.
- Section 8.02. Fiduciary Matters. Parent and SpinCo each acknowledge that actions required to be taken pursuant to this Agreement may be subject to fiduciary duties or standards of conduct under ERISA or other applicable Law, and no Party shall be deemed to be in violation of this Agreement if it fails to comply with any provisions hereof based upon its good faith determination (as supported by advice from counsel experienced in such matters) that to do so would violate such a fiduciary duty or standard. Each Party shall be responsible for taking such actions as are deemed necessary and appropriate to comply with its own fiduciary responsibilities and shall fully release and indemnify the other Party for any Liabilities caused by the failure to satisfy any such responsibility.
- Section 8.03. <u>Further Assurances</u>. Each Party hereto shall take, or cause to be taken, any and all reasonable actions, including the execution, acknowledgment, filing and delivery of any and all documents and instruments that any other Party hereto may reasonably request in order to effect the intent and purpose of this Agreement and the transactions contemplated hereby.
  - Section 8.04. <u>Counterparts; Entire Agreement; Corporate Power</u>.
- (a) This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Party.
- (b) This Agreement, the Separation and Distribution Agreement and the Ancillary Agreements and the Exhibits, Schedules and appendices hereto and thereto contain the entire agreement between the Parties with respect to the subject matter hereof, supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter, and there are no agreements or understandings between the Parties other than those set forth or referred to herein or therein. This Agreement, the Separation and Distribution Agreement and the Ancillary Agreements together govern the arrangements in connection with the Separation and the Distribution and would not have been entered into independently.

- (c) Parent represents on behalf of itself and each other member of the Parent Group, and SpinCo represents on behalf of itself and each other member of the SpinCo Group, as follows:
- (i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby; and
- (ii) this Agreement has been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable in accordance with the terms hereof.
- (d) Each Party acknowledges that it and each other Party is executing this Agreement by facsimile, stamp or mechanical signature, and that delivery of an executed counterpart of a signature page to this Agreement (whether executed by manual, stamp or mechanical signature) by facsimile or by e-mail in portable document format (.pdf) shall be effective as delivery of such executed counterpart of this Agreement. Each Party expressly adopts and confirms each such facsimile, stamp or mechanical signature (regardless of whether delivered in person, by mail, by courier, by facsimile or by e-mail in portable document format (.pdf)) made in its respective name as if it were a manual signature delivered in person, agrees that it will not assert that any such signature or delivery is not adequate to bind such Party to the same extent as if it were signed manually and delivered in person and agrees that, at the reasonable request of the other Party at any time, it will as promptly as reasonably practicable cause this Agreement to be manually executed (any such execution to be as of the date of the initial date thereof) and delivered in person, by mail or by courier.
- Section 8.05. Governing Law. This Agreement (and any claims or disputes arising out of or related hereto or to the transactions contemplated hereby or to the inducement of any party to enter herein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall be governed by and construed and interpreted in accordance with the Laws of the State of Delaware, irrespective of the choice of laws principles of the State of Delaware, including all matters of validity, construction, effect, enforceability, performance and remedies.
- Section 8.06. <u>Assignability</u>. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; <u>provided</u>, <u>however</u>, that neither Party may assign its rights or delegate its obligations under this Agreement without the express prior written consent of the other Party hereto. Notwithstanding the foregoing, no such consent shall be required for the assignment of a Party's rights and obligations under this Agreement, the Separation and Distribution Agreement and all other Ancillary Agreements (except as may be otherwise provided in any such Ancillary Agreement) in whole (*i.e.*, the assignment of a Party's rights and obligations under this Agreement and all Ancillary Agreements at the same time) in connection with a change of control or a sale of all or substantially all of a Party (or its assets) so long as the resulting, surviving or transferee Person assumes all the obligations of the relevant party thereto by operation of Law or pursuant to an agreement in form and substance reasonably satisfactory to the other Party.

Section 8.07. <u>Third-Party Beneficiaries</u>. The provisions of this Agreement are solely for the benefit of the Parties and are not intended to confer upon any Person except the Parties any rights or remedies hereunder. There are no third-party beneficiaries of this Agreement, and this Agreement shall not provide any Third Party with any remedy, claim, Liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement. Nothing in this Agreement is intended to amend any employee benefit plan or affect the applicable plan sponsor's right to amend or terminate any employee benefit plan pursuant to the terms of such plan. The provisions of this Agreement are solely for the benefit of the Parties, and no current or former Employee, officer, director, or independent contractor or any other individual associated therewith shall be regarded for any purpose as a third-party beneficiary of this Agreement.

Section 8.08. <u>Notices</u>. All notices, requests, claims, demands or other communications under this Agreement shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by certified mail, return receipt requested or by electronic mail (e-mail) so long as the confirmation of receipt of such e-mail is requested and received, to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this <u>Section 8.08</u>):

If to Parent, to:

XPO Logistics, Inc. Five American Lane Greenwich, Connecticut 06831

Attention: Deputy Chief Financial Officer, Ravi Tulsyan

E-mail: ravi.tulsyan@xpo.com

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

Wachtell, Lipton, Rosen & Katz 51 West 52nd Street
New York, New York 10019
Attention: Adam O. Emmerich

Viktor Sapezhnikov

E-mail: AOEmmerich@wlrk.com

VSapezhnikov@wlrk.com

If to SpinCo (prior to the Effective Time), to:

GXO Logistics, Inc.
Two American Lane
Greenwich, Connecticut 06831
Attention: Chief Legal Officer, Karlis Kirsis

E-mail: Karlis.Kirsis@gxo.com

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

Wachtell, Lipton, Rosen & Katz 51 West 52nd Street New York, New York 10019 Attention: Adam O. Emmerich Viktor Sapezhnikov

E-mail: AOEmmerich@wlrk.com

VSapezhnikov@wlrk.com

If to SpinCo (from and after the Effective Time), to:

GXO Logistics, Inc.
Two American Lane
Greenwich, Connecticut 06831
Attention: Chief Legal Officer, Karlis Kirsis
E-mail: Karlis.Kirsis@gxo.com

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

Wachtell, Lipton, Rosen & Katz 51 West 52nd Street New York, New York 10019 Attention: Adam O. Emmerich

Viktor Sapezhnikov

E-mail: AOEmmerich@wlrk.com

VSapezhnikov@wlrk.com

A Party may, by notice to the other Party, change the address to which such notices are to be given or made.

Section 8.09. <u>Severability</u>. If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the Parties.

Section 8.10. Force Majeure. No Party shall be deemed in default of this Agreement or, unless otherwise expressly provided therein, any Ancillary Agreement for any delay or failure to fulfill any obligation (other than a payment obligation) hereunder or thereunder so long as and to the extent to which any delay or failure in the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. In the event of any such excused delay, the time for performance of such obligations (other than a payment obligation) shall be extended for a period equal to the time lost by reason of the delay.

A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event, (a) provide written notice to the other Party of the nature and extent of any such Force Majeure condition; and (b) use commercially reasonable efforts to remove any such causes and resume performance under this Agreement and the Ancillary Agreements, as applicable, as soon as reasonably practicable.

- Section 8.11. <u>Headings</u>. The article, section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.
- Section 8.12. <u>Survival of Covenants</u>. Except as expressly set forth in this Agreement, the covenants, representations and warranties contained in this Agreement, and Liability for the breach of any obligations contained herein, shall survive the Separation and Distribution and shall remain in full force and effect.
- Section 8.13. <u>Waivers of Default</u>. Waiver by a Party of any default by the other Party of any provision of this Agreement shall not be deemed a waiver by the waiving Party of any subsequent or other default, nor shall it prejudice the rights of the other Party. No failure or delay by a Party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall a single or partial exercise thereof prejudice any other or further exercise thereof or the exercise of any other right, power or privilege.
- Section 8.14. <u>Dispute Resolution</u>. The dispute resolution procedures set forth in Article VII of the Separation and Distribution Agreement shall apply to any dispute, controversy or claim arising out of or relating to this Agreement.
- Section 8.15. Specific Performance. Subject to the provisions of Article VII of the Separation and Distribution Agreement, in the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the Party or Parties who are, or are to be, thereby aggrieved shall have the right to specific performance and injunctive or other equitable relief in respect of its or their rights under this Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The Parties agree that the remedies at law for any breach or threatened breach, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are waived by each of the Parties.
- Section 8.16. <u>Amendments</u>. No provisions of this Agreement shall be deemed waived, amended, supplemented or modified by a Party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the Party against whom it is sought to enforce such waiver, amendment, supplement or modification.
- Section 8.17. <u>Interpretation</u>. In this Agreement, (a) words in the singular shall be deemed to include the plural and vice versa, and words of one gender shall be deemed to include the other genders as the context requires; (b) the terms "hereof," "herein," and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as

a whole (including all of the Schedules, Exhibits and Appendices hereto and thereto) and not to any particular provision of this Agreement; (c) Article, Section, Schedule, Exhibit and Appendix references are to the Articles, Sections, Schedules, Exhibits and Appendices to this Agreement unless otherwise specified; (d) unless otherwise stated, all references to any agreement (including this Agreement and each Ancillary Agreement) shall be deemed to include the exhibits, schedules and annexes (including all Schedules, Exhibits and Appendixes) to such agreement; (e) the word "including" and words of similar import when used in this Agreement (or the applicable Ancillary Agreement) shall mean "including, without limitation," unless otherwise specified; (f) the word "or" shall not be exclusive; (g) unless otherwise specified in a particular case, the word "days" refers to calendar days; (h) references to "business day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions are generally authorized or required by law to close in the United States or New York, New York; (i) references herein to this Agreement or any other agreement contemplated herein shall be deemed to refer to this Agreement or such other agreement as of the date on which it is executed and as it may be amended, modified or supplemented thereafter, unless otherwise specified; and (j) unless expressly stated to the contrary in this Agreement or in any Ancillary Agreement, all references to "the date hereof," "the date of this Agreement," "hereby" and "hereupon" and words of similar import shall all be references to [], 2021.

Section 8.18. <u>Limitations of Liability</u>. Notwithstanding anything in this Agreement to the contrary, neither SpinCo or any member of the SpinCo Group, on the one hand, nor Parent or any member of the Parent Group, on the other hand, shall be liable under this Agreement to the other for any indirect, incidental, punitive, exemplary, remote, speculative or similar damages in excess of compensatory damages of the other arising in connection with the transactions contemplated hereby (other than any such Liability with respect to a Third-Party Claim).

Section 8.19. <u>Mutual Drafting</u>. This Agreement shall be deemed to be the joint work product of the Parties, and any rule of construction that a document shall be interpreted or construed against a drafter of such document shall not be applicable.

[Remainder of page intentionally left blank]

	ave caused this Employee Matters Agreement to be
executed by their duly authorized representatives as of the	date first written above.
XI	PO LOGISTICS, INC.
Ву	r:
	Name:
	Title:
G	XO LOGISTICS, INC.
Ву	r:
	Name:
	Title:

# FORM OF INTELLECTUAL PROPERTY LICENSE AGREEMENT BY AND BETWEEN XPO LOGISTICS, INC. AND GXO LOGISTICS, INC.

Dated as of [ ], 2021

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## INTELLECTUAL PROPERTY LICENSE AGREEMENT

This INTELLECTUAL PROPERTY LICENSE AGREEMENT, dated as of [], 2021 (this "<u>Agreement</u>"), is by and between XPO Logistics, Inc., a Delaware corporation ("<u>Parent</u>"), and GXO Logistics, Inc., a Delaware corporation ("<u>SpinCo</u>" and, together with Parent, the "<u>Parties</u>").

## RECITALS

WHEREAS, Parent, acting through itself and its direct and indirect Subsidiaries, currently operates the SpinCo Business;

WHEREAS, the board of directors of Parent (the "Parent Board") has determined that it is in the best interests of Parent and its stockholders to create a new publicly traded company that shall operate the SpinCo Business:

WHEREAS, in furtherance of the foregoing, the Parent Board has determined that it is appropriate and desirable to separate the SpinCo Business from the Parent Business (the "Separation") and, following the Separation, make a distribution, on a *pro rata* basis, to holders of Parent Shares on the Record Date of all the outstanding SpinCo Shares owned by Parent (the "Distribution");

WHEREAS, in order to effectuate the Separation and the Distribution, Parent and SpinCo are expected to enter into a Separation and Distribution Agreement, dated as of [], 2021 (as amended, modified or supplemented from time to time, the "Separation Agreement");

WHEREAS, the SpinCo Assets include certain Intellectual Property Rights and Technology;

WHEREAS, in connection with the transfer of the SpinCo Assets, on the terms and subject to the conditions set forth herein, Parent and its Subsidiaries that are members of the Parent Group (in such capacity, the "Parent Licensors") wish to grant to SpinCo and its Subsidiaries that are members of the SpinCo Group (in such capacity, the "SpinCo Licensees") licenses to certain Parent Licensed Other IP, Parent Licensed Patents and Parent Licensed Software, and prior to the transfer of the SpinCo Assets to SpinCo, on the terms and subject to the conditions set forth herein, SpinCo and Subsidiaries that are members of the SpinCo Group (in such capacity, the "SpinCo Licensors") wish to grant to Parent and its Subsidiaries (in such capacity, the "Parent Licensees") licenses to certain SpinCo Licensed Other IP, SpinCo Licensed Patents and NA Warehouse Management Platforms; and

WHEREAS, this Agreement constitutes the Intellectual Property License Agreement referred to in the Separation Agreement.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, and for other good and valuable consideration, the

receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

# ARTICLE I DEFINITIONS AND INTERPRETATION

- Section 1.1 <u>Certain Definitions</u>. As used herein, the following terms have the meanings set forth below. Capitalized terms that are not defined in this Agreement shall have the meanings set forth in the Separation Agreement.
- (a) "Change of Control" means, with respect to any Person (the "Target Person"), the consummation of any transaction or series of related transactions involving any direct or indirect purchase or acquisition (whether by way of merger, share purchase or exchange, consolidation, license, lease, business combination, or similar transaction or otherwise) by another Person or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended), other than by any Person who, prior to such transaction or series of related transactions, is an Affiliate of the Target Person, of either (i) a majority of the voting power of the securities entitled to elect the board of directors or equivalent governing body of the Target Person (or any direct or indirect parent company) or (ii) all or substantially all of the assets of the Target Person and its Subsidiaries, taken together as a whole.
- (b) "<u>EU Warehouse Management Platforms</u>" means the Software developed by Parent or its Subsidiaries prior to the Distribution in connection with the operation of the SpinCo Business and used for supporting and implementing (including customizations and customer-specific integrations) the (i) Reflex warehouse management platform; (ii) Red Prairie/DLX warehouse management platform; and (iii) Infolog warehouse management platform.
- (c) "<u>Licensed Software</u>" means, depending upon the context of use, either the Parent Licensed Software or the NA Warehouse Management Platforms licensed to such Party as a Licensee.
- (d) "<u>Licensee</u>" means a Party and, where the context requires, its Affiliates, in its or their capacity as the licensee of the rights or licenses granted to it by the other Party pursuant to Article III.
- (e) "<u>Licensor</u>" means a Party in its capacity as the licensor or grantor of any rights or licenses granted by it to the other Party pursuant to <u>Article III</u>, as applicable.
- (f) "NA Warehouse Management Platforms" means the Software developed by Parent or its Subsidiaries prior to the Distribution in connection with the operation of the SpinCo Business and used for supporting and implementing (including customizations and customer-specific integrations) the (i) WMx Product Suite; and (ii) WM7, WM5 and SIMS warehouse management platforms.
- (g) "Open Source Software" means Software that is subject to any license meeting the definition of "Open Source" promulgated by the Open Source Initiative, available online at <a href="http://www.opensource.org/osd.html">http://www.opensource.org/osd.html</a> (including any GNU General Public License,

Library General Public License, Lesser General Public License, Mozilla Public License, Berkeley Software Distribution License, MIT and the Apache License).

- (h) "Other IP" means Intellectual Property Rights other than Patents, Marks and Internet Properties.
  - (i) "Parent Field" means the field of the Parent Business.
- (j) "Parent Licensed Other IP" means the Other IP (other than the SpinCo Intellectual Property) that is owned by Parent or its Subsidiaries as of immediately after the Distribution and embodied in or by any of the Business Technology.
- (k) "Parent Licensed Patents" means (i) the Patents set forth on Schedule A, (ii) any Patent that issues after the Distribution that claims priority to any Patent in clause (i), and (iii) any foreign counterparts to any of the foregoing.
- (l) "<u>Parent Licensed Software</u>" means the Software customizations and customer-specific integrations for Oracle, HRIS, CRM, Auth XPO, Elastic XRT and corporate BI (including the Oracle Hub proprietary platform), in object code form, developed by Parent or its Subsidiaries prior to the Distribution in connection with the operation of the SpinCo Business.
- (m) "Parent Products" means any product or service of the Parent Businesses, as such products or services currently exist and natural evolutions of such products and services within the Parent Field.
- (n) "Parent Technology" means all Technology, including any know-how or knowledge of any employees of the Parent Business, used in or held for use in the operation of the Parent Business.
  - (o) "SpinCo Field" means the field of the SpinCo Business.
- (p) "<u>SpinCo Licensed Other IP</u>" means the Other IP included in the SpinCo Intellectual Property.
- (q) "SpinCo Licensed Patents" means (i) the Patents set forth on Schedule 1.6 of the Separation Agreement, (ii) any Patent that issues after the Distribution that claims priority to any Patent in clause (i), and (iii) any foreign counterparts to any of the foregoing.
- (r) "SpinCo Product" means the products and services provided to customers and end users by or on behalf of the Business, as such products or services currently exist and natural evolutions of such products and services within the SpinCo Field.
- (s) "<u>WMx Product Suite</u>" means the application referred to as the "Warehouse Management System" operated by and hosted by, or on behalf of, SpinCo or its Subsidiaries and provided to Parent and its Subsidiaries as a hosted service in accordance with the terms set forth in <u>Schedule B</u>.
- (t) "XPO Smart Software" means the Software (including related documentation) described on Schedule C hereto and developed by Parent or its Subsidiaries prior to the Distribution in connection with operation of the SpinCo Business and used for supporting

and implementing (including customizations and customer-specific integrations) the XPO Smart and XPO Smart Lite labor optimization platforms.

Section 1.2 <u>Other Defined Terms</u>. In addition, the following terms shall have the meanings ascribed to them in the corresponding section of this Agreement:

Т	Santian
<u>Term</u>	Section
Acquired Party	Section 5.1
Acquiring Party	Section 5.1
Agreement	Preamble
Bankruptcy Code	Section 6.1
Cooperating Party	Section 2.2
Distribution	Recitals
Enforcing Party	Section 2.2
Non-Acquired Party	Section 5.1
Open Source License	Section 4.6
Parent	Preamble
Parent Board	Recitals
Parent Licensees	Recitals
Parent Licensors	Recitals
Parties	Preamble
Separation	Recitals
Separation Agreement	Recitals
Shared Software	Section 3.3
SpinCo	Preamble
SpinCo Licensees	Recitals
SpinCo Licensors	Recitals
Spin-Out	Section 4.1(b)
Target Person	Section 1.1(a)
Warehouse Management Platforms	Section 2.1

## ARTICLE II ASSIGNED INTELLECTUAL PROPERTY

Section 2.1 <u>Assignment of the Warehouse Management Platforms</u>. To the extent that Other IP of Parent and its Subsidiaries embodied in the NA Warehouse Management Platforms and the EU Warehouse Management Platforms (collectively, the "<u>Warehouse Management Platforms</u>") are not held prior to the Distribution by SpinCo or Subsidiaries that are members of the SpinCo Group, Parent hereby transfers and assigns effective as of immediately prior to the Distribution, on behalf of itself and its applicable Subsidiaries, to SpinCo, and SpinCo does hereby acquire and accept, effective as of immediately prior to the Distribution, all

Intellectual Property Rights embodied in the Warehouse Management Platforms held by Parent or its Subsidiarie that are members of the Parent Group, including the right to enforce such Intellectual Property Rights and to retain all damages and awards resulting from such		
4		
<del>_</del>		

enforcement. Parent and its Subsidiaries that are members of the Parent Group shall, effective as of immediately prior to the Distribution, deliver to SpinCo a copy of the existing Warehouse Management Platforms, including any related documentation in the possession or control of Parent and such Subsidiaries. Nothing set forth in the foregoing shall preclude Parent from retaining a copy of the Warehouse Management Platforms in the form of Software licensed under Article II.

Section 2.2 Assignment of the XPO Smart Software. Effective as of immediately prior to the Distribution, Parent, on behalf of itself and its Subsidiaries that are members of the Parent Group, shall deliver or otherwise make available to SpinCo or its designee a copy of the XPO Smart Software as it exists as of such date. Parent and its Subsidiaries that are members of the Parent Group may retain one or more copies of its version of the XPO Smart Software and any Software derived from the XPO Smart Software or from which the XPO Smart Software was derived. Parent shall and, effective as of immediately prior to the Distribution, hereby transfers and assigns to SpinCo, and SpinCo does hereby acquire and accept, effective as of immediately prior to the Distribution, an undivided half interest in its full right, title and interest in and to all Copyrights (including all exclusive rights comprising such Copyrights) in the version of the XPO Smart Software as provided to SpinCo. Accordingly, SpinCo and Parent shall become joint owners of the Copyrights (including all exclusive rights comprising such Copyrights) in XPO Smart Software but without the duty to account. In accordance with Section 201 of the Copyright Act, each Party shall have the independent right to all and each of the rights comprising the Copyrights in its version of the XPO Smart Software, including the right to license, transfer and sue for the infringement of such Copyrights without the duty to account for, or share, any profits or value received from, any of the foregoing. Upon the reasonable request of SpinCo, Parent shall execute any and all documentation, otherwise provide assistance, (including, but not limited to, the execution and delivery of instruments of further assurance or confirmation) to assign an undivided one-half interest in the Copyrights in the XPO Smart Software to SpinCo in accordance with the foregoing. If, and to the extent, necessary, each Party (the "Cooperating Party") shall, upon the request of the other party (the "Enforcing Party") use reasonable commercial efforts to cooperate in any infringement action brought the Enforcing Party, provided that the Enforcing Party shall reimburse the Cooperating Party for any costs or expenses as incurred by the Cooperating Party, in providing such cooperation. Without limiting the foregoing neither Party shall have any obligation to disclose, license or otherwise share with the other Party any improvements to, or any derivative works it may create with respect to, the XPO Smart Software. To the extent that the XPO Smart Software embodies any confidential information or Trade Secrets of Parent, effective as of immediately prior to the Distribution, Parent agrees to grant, and hereby grants, to SpinCo a perpetual, irrevocable, sublicensable, transferable, non-exclusive license to use and disclose such confidential information or Trade Secrets in the exercise of SpinCo's rights as an owner of the Copyrights in the XPO Smart Software.

# ARTICLE III INTELLECTUAL PROPERTY LICENSES

Section 3.1 <u>License to SpinCo Licensees of Parent Licensed Software</u>. Parent, on behalf of itself and Parent Licensors, agrees to grant, and hereby grants, effective as of

immediately prior to the Distribution, to SpinCo Licensees, subject to the terms and conditions of this Agreement, including Section 5.2, a nonexclusive, nontransferable (except as set forth in Section 5.1), nonsublicensable (except as provided in Section 4.2), perpetual, irrevocable, worldwide, fully paid, royalty-free license under the Parent Licensed Other IP embodied in the Parent Licensed Software to (i) internally use, reproduce, modify and create derivative works of such Parent Licensed Software, (ii) copy and use internally (or have hosted) the Parent Licensed Software (and any derivative works thereof created by SpinCo Licensees pursuant to the foregoing clause (i) solely for the purposes of hosting and providing the SpinCo Products to third parties as a service (SaaS) and (iii) copy and distribute (subject to any applicable confidentiality restrictions), the Parent Licensed Software (and any derivative works thereof created by SpinCo Licensees pursuant to the foregoing clause (i), in object code form only, and only to the extent incorporated in SpinCo Products, in each case of clauses (i)-(iii), solely in the SpinCo Field.

Section 3.2 <u>License to Parent Licensees of the NA Warehouse Management Platforms</u>. Subject to the terms and conditions of this Agreement, including <u>Section 5.2</u>, effective as of the date hereof, Parent Licensees hereby retain, and SpinCo, on behalf of itself and the SpinCo Licensors, agrees to grant, and the Parties hereby cause to be granted by the SpinCo Licensors, to Parent Licensees a nonexclusive, nontransferable (except as set forth in <u>Section 5.1</u>), nonsublicensable (except as provided in <u>Section 4.2</u>), perpetual, irrevocable, worldwide, fully paid, royalty-free license under the SpinCo Licensed Other IP embodied in the NA Warehouse Management Platforms to (i) internally use, reproduce, modify and create derivative works of such NA Warehouse Management Platforms, (ii) copy and use internally (or have hosted) the NA Warehouse Management Platforms (and any derivative works thereof created by Parent Licensees pursuant to the foregoing <u>clause (i)</u>) solely for the purposes of hosting and providing the Parent Products to third parties as a service (SaaS) and (iii) copy and distribute (subject to any applicable confidentiality restrictions) the NA Warehouse Management Platforms (and any derivative works thereof created by Parent Licensees pursuant to the foregoing <u>clause (i)</u>) in object code form only, and only to the extent incorporated in Parent Products, in each case of <u>clauses (i)-(iii)</u>, solely in the Parent Field.

Section 3.3 <u>Shared Software</u>. The Parties acknowledge and agree that (a) the Warehouse Management Platforms may include discrete Software code (including routines, drivers and linked libraries) that originated from, or were adapted from Software created by Parent or its Subsidiaries prior to the Distribution, and (b) such discrete items of Warehouse Management Platforms, derivatives of such Warehouse Management Platforms, and Software from which such Warehouse Management Platforms were derived, are being used or are held for use by Parent and its Subsidiaries in their products other than the SpinCo Products (such Software as described in clauses (a) and (b), the "Shared Software"). Accordingly, the Parties agree that the Intellectual Property Rights embodied in or by such Shared Software shall be considered "SpinCo Licensed Other IP" for purposes of this Agreement and licensed to Parent Licensees pursuant to Section 3.5 of this Agreement.

Section 3.4 <u>License to SpinCo Licensees of Parent Licensed IP</u>. Subject to the terms and conditions of this Agreement, including <u>Section 5.2</u>, Parent, on behalf of itself and the Parent Licensors, agrees to grant, and hereby grants, effective immediately prior to the

Distribution, to SpinCo Licensees a nonexclusive, nontransferable (except as set forth in <u>Section 5.1</u>), sublicensable (in accordance with <u>Section 4.2</u>), perpetual, irrevocable, worldwide, fully paid, royalty-free license:

- (a) under the Parent Licensed Patents, to make, have made, import, use, offer to sell, sell, and otherwise provide any SpinCo Product, including to practice any method, process or procedure claimed in any of the Parent Licensed Patents, in each case with respect to the operation of the SpinCo Business; and
- (b) under the Parent Licensed Other IP, to use, reproduce, distribute, disclose, make, modify, improve, display and perform, create derivative works of, or otherwise exploit any SpinCo Technology in any field; <u>provided</u> that the foregoing license does not extend to the Parent Licensed Software or any Intellectual Property Rights embodied therein.
- Section 3.5 <u>License to Parent Licensees of Licensed-Back IP</u>. Subject to the terms and conditions of this Agreement, effective as of the date hereof, the Parent Licensees hereby retain, and SpinCo, on behalf of itself and the SpinCo Licensors, agrees to grant, and the Parties hereby cause to be granted by the SpinCo Licensors, to Parent Licensees a nonexclusive, nontransferable (except as set forth in <u>Section 5.1</u>), sublicensable (in accordance with <u>Section 4.2</u>), perpetual, irrevocable, worldwide, fully paid, royalty-free license:
- (a) under the SpinCo Licensed Patents, to make, have made, import, use, offer to sell, sell, and otherwise provide any Retained Product, including to practice any method, process or procedure claimed in any of the SpinCo Licensed Patents, in each case with respect to the operation of the Parent Businesses; and
- (b) under the SpinCo Licensed Other IP, to use, reproduce, distribute, disclose, make, modify, improve, display and perform, create derivative works of, or otherwise exploit the Parent Technology in any field; <u>provided</u> that the foregoing license does not extend to the NA Warehouse Management Platforms (other than Shared Software) or any Intellectual Property Rights embodied therein.
- Section 3.6 <u>WMx Software as a Service</u>. Subject to the terms and conditions of this Agreement, SpinCo agrees to provide or cause to be provided to Parent Licensees access to the WMx Product Suite in accordance herewith and with the terms for the hosted service set forth in Schedule B.

## ARTICLE IV LICENSE LIMITATIONS

## Section 4.1 Rights of Subsidiaries.

(a) All rights and licenses granted to SpinCo in Section 3.1 and Section 3.4, and all rights and licenses granted to Parent in Section 3.2 and Section 3.5, are granted to such Party as Licensee and to any entity that is a Subsidiary of such Party, but only for so long as such entity is a Subsidiary of such Party, and they will automatically terminate with respect to such entity when it ceases to be a Subsidiary of such Party, except in the case of a Spin-Out of such entity as provided in Section 4.1(b).

(b) In the event of a transaction or series of related transactions in which (i) an entity that is a Subsidiary of a Party actively engaged in a line of business ceases to be a Subsidiary of such Party, or (ii) Parent sells or divests a business unit or assets to which the licenses in <a href="Article III">Article III</a> (or part thereof) relate (such transaction in <a href="clause">clause</a> (i) or <a href="clause">clause</a> (ii) or <a href="clause">clause</a> (iii) or <a href="clause">clause</a> (iii) or <a href="clause">clause</a> (iii) or <a href="clause">clause</a> (iii) and licenses granted or sublicensed to such entity or business unit hereunder, but only with respect to the line of business that such entity or business unit is engaged in at the effective time of such Spin-Out (and not to any products of an acquirer of such entity or business unit); <a href="provided">provided</a> that such entity in the case of <a href="clause">clause</a> (i) or its successor provides the Licensor hereunder with written notice of the Spin-Out and agrees in writing to be bound by the terms of this Agreement, including any license limitations. If such entity resulting from, or in connection with, the Spin-Out is acquired by, or merges with, a third party, such sublicense will not extend to any products, business or operations of such third party.

# Section 4.2 <u>Sublicensing</u>.

- (a) Where a license granted to a Party as a Licensee in <u>Article III</u> includes a license to distribute Software, such Licensee may, in connection with such distribution to an end user, grant to the end user a sublicense to such Software pursuant to an industry-standard, object code only, nonexclusive license.
- (b) Each Party, as a Licensee, may sublicense the license and rights granted to such Licensee with respect to Other IP in Section 3.4(b) and Section 3.5(b), respectively, freely to a third party in connection with the operation of such Licensee's business in the ordinary course or to such entity resulting from a Spin-Out, including in connection with the licensing of its products and services; provided that each Party shall treat any material Trade Secrets or confidential information that embodies, or is, licensed to it hereunder in the same manner, and with the same degree of care, that it treats its own like confidential information and Trade Secrets and in accordance with applicable Law, but in no event with less than reasonable care, and neither Party shall disclose such Trade Secrets or confidential information to a third party, except in connection with the disclosure of such Party's own confidential information or Trade Secrets of at least comparable importance and value.
- (c) Except as provided in Section 4.1(b), neither Parent Licensee nor SpinCo Licensee shall sublicense the Patents licensed to it in Section 3.4(a) and Section 3.5(a), except (i) in connection with the licensing by such Licensee of material other Patents owned by it and on the same terms or (ii) to third parties as necessary for the receipt of products and services from, or the provision of products and services to, such third parties, as applicable, in the operation of such Licensee's business in the ordinary course.
- (d) Except as provided in <u>Section 4.1(b)</u> and <u>Section 4.2(a)</u>, neither Party, as a Licensee, will be permitted to sublicense or disclose the source code for the Licensed Software to any third party.

## Section 4.3 No Other Rights; Retained Ownership.

- (a) Each Party acknowledges and agrees that (i) its rights and licenses to the other Party's Intellectual Property Rights are solely as set forth in, and as may be limited by, this Agreement, and (ii) neither Party has, nor will it claim to have, any rights or licenses to the other Party's Intellectual Property Rights as a result of its status as a Subsidiary of such other Party or otherwise. Each Party shall retain all rights, including all Intellectual Property Rights, in and to any improvement to, or derivative works of, any Technology or Software licensed to it hereunder, and it shall have no obligation to provide or disclose such improvements or derivative works to the other Party.
- (b) Notwithstanding anything to the contrary set forth in this Agreement, this Agreement grants to Parent Licensees no right or license to any Intellectual Property Rights that SpinCo Licensors may own now or in the future, except as expressly set forth in <u>Section 3.2</u> and <u>Section 3.5</u>, whether by implication, estoppel or otherwise.
- (c) Notwithstanding anything to the contrary set forth in this Agreement, this Agreement grants to SpinCo Licensees no right or license to any Intellectual Property Rights that Parent Licensors may own now or in the future, except as expressly set in Section 3.1 and Section 3.4, and, whether by implication, estoppel or otherwise. For the avoidance of doubt, Parent Licensors retain sole ownership of Intellectual Property Rights licensed by the Parent Licensors under this Agreement.
- Section 4.4 Other Restrictions. Neither Party, as a Licensee, will be permitted to offer the Software licensed to such Licensee in Section 3.1 and Section 3.2, respectively, as a stand-alone Software as a Service (SaaS) offering.
- Section 4.5 <u>Delivery</u>. Promptly following the date hereof, Parent shall provide or cause to be provided the Parent Licensed Software to SpinCo Licensees in all existing forms, including in source code or modifiable form.
- Section 4.6 Open Source. The Parties acknowledge that certain Software licensed hereunder may include Open Source Software and that any use or distribution of such Software shall be subject to the terms and requirements of the license applicable to such Open Source Software. Neither Party shall use Open Source Software in connection with the Software licensed to it hereunder in a manner that would subject such Software to the terms of a license under which a component of Open Source Software is licensed (an "Open Source License").
- Section 4.7 <u>Treatment of Source Code</u>. Each Party, as a Licensee, acknowledges and agrees that the source code of the Licensed Software licensed to such Party as Licensee is the confidential information of the other Party as Licensor under the terms of <u>Section 6.2</u> and shall in addition be subject to the terms of this <u>Section 4.7</u>. Each Party, as a Licensee, shall limit access to the source code of the Licensed Software to its employees who have a need to access the source code for the purposes of exercising Licensee's rights under this Agreement. Each Party, as a Licensee, shall use reasonable commercial efforts to protect the confidentiality of the source code of the Licensed Software, including, without limitation,

securing the network, server, hard drives and other media on which the source code is stored or maintained.

- Section 4.8 <u>Source Code Restrictions</u>. Without limiting <u>Section 4.7</u>, each Party, as a Licensee, acknowledges and agrees that the source code of the Licensed Software licensed to such Party as Licensee is subject to the following restrictions:
- (a) Licensee's rights to internally use, modify and create derivative works of the source code of such Licensed Software are solely for the purpose of internally evaluating the source code for debugging, correcting errors in the source code and creating object code versions of such Licensed Software, but not to create any other derivative works of such source code or to use or modify such source code for any other purpose.
- (b) Except as expressly licensed herein, any use or distribution of such Licensed Software that requires the source code of the Licensed Software to be made available to anyone but the Licensee is expressly prohibited. Such prohibited use includes, but is not limited to, the incorporation of such source code of the Licensed Software into Software licensed under an Open Source License.

## ARTICLE V TRANSFERABILITY

Section 5.1 <u>Assignment</u>. This Agreement shall be binding upon and inure to the benefit of the Parties, and their respective successors and permitted assigns; <u>provided</u>, <u>however</u>, that, except as provided in <u>Section 4.1</u> and <u>Section 5.3</u>, neither Party may assign its rights or delegate its obligations under this Agreement without the express prior written consent of the other Party (the "<u>Non-Acquired Party</u>") hereto, as applicable. Notwithstanding the foregoing, subject to <u>Section 5.2</u>, no such consent shall be required for the assignment or assumption of a Party's rights and obligations under this Agreement, the Separation Agreement and the other Transaction Documents (except as may be otherwise provided in any such Transaction Document) in whole (*i.e.*, the assignment of a Party's rights and obligations under this Agreement and all Transaction Documents all at the same time) in connection with a Change of Control of a Party (such party, the "<u>Acquired Party</u>"); <u>provided</u> that the resulting, surviving or transferee Person (the "<u>Acquiring Party</u>") (a) assumes all of the obligations of the Acquired Party by operation of Law or by express assignment, as the case may be, and (b) delivers to the Non-Acquired Party, prior to or concurrently with the consummation of such Change of Control, a writing executed by the Acquiring Party prior to the consummation of any transaction resulting in a Change of Control, an express acknowledgement regarding the limitations on the licenses granted hereunder to the Acquired Party as a result of such Change of Control. Any purported assignment in violation of this <u>Section 5.1</u> shall be null and void.

Section 5.2 <u>Limitations on Change of Control</u>. In the event of a Change of Control where SpinCo is the Acquired Party as set forth in <u>Section 5.1</u>: (i) the license set forth in <u>Section 3.1</u> to Parent Licensed Software and <u>Section 3.4(a)</u> to Parent Licensed Patents shall automatically become limited and shall not extend to (x) any product or service of the Acquiring Party or its Affiliates (other than SpinCo Licensees) that is sold, distributed, provided or otherwise commercialized at any time, or (y) any product or service of SpinCo Licensees other

than such products and services sold by SpinCo Licensees as of the date of the agreement providing for such Change of Control of SpinCo (and natural extensions of such products and services), and (ii) the licenses granted hereunder to Parent Licensees shall continue in accordance with the terms of this Agreement and shall not otherwise be affected by the Change of Control of SpinCo.

Section 5.3 <u>Divestiture of Parent Business Unit</u>. The Parties agree that upon the closing of a transaction or series of related transactions in which Parent or its Subsidiaries undergo a Change of Control (whether by stock purchase, merger or asset sale) to a third party or in which Parent sells or divests all or a significant portion of a business unit or assets (including equity interests) to which any such license (or part thereof) relates, Parent shall have the right to transfer, or permit the assumption of, this Agreement or any rights or licenses of Parent or its Subsidiaries hereunder, in whole or in part, by operation of Law or by express assignment, as the case may be, and this Agreement shall survive, in connection with such transaction; <u>provided</u> that such transfer or assumption shall not in any way limit either Parent's and its Subsidiaries' or SpinCo's and its Subsidiaries' rights and licenses hereunder.

### ARTICLE VI ADDITIONAL TERMS

Section 6.1 <u>Bankruptcy Rights</u>. All rights and licenses granted to a Party as Licensee hereunder are, for purposes of Section 365(n) of the United States Bankruptcy Code (the "<u>Bankruptcy Code</u>"), licenses of intellectual property rights within the scope of Section 101 of the Bankruptcy Code. The Licensor acknowledges that the Licensee, as a licensee of such rights and licenses hereunder, will retain and may fully exercise all of its rights and elections under the Bankruptcy Code. Each Party irrevocably waives all arguments and defenses arising under 11 U.S.C. § 365(c)(1) or successor provisions to the effect that applicable Law excuses such Party from accepting performance from or rendering performance to an entity other than the debtor or debtor-inpossession as a basis for opposing assumption of this Agreement in a case under Chapter 11 of the Bankruptcy Code to the extent that such consent is required under 11 U.S.C. § 365(c)(1) or any successor statute.

Section 6.2 <u>Confidentiality</u>. Notwithstanding the transfer or disclosure of any Technology or grant or retention of any license to a Trade Secret or other proprietary right in confidential information to or by a Party hereunder, each Party agrees on behalf of itself and its Subsidiaries that (a) it (and each of its Subsidiaries) shall treat the Trade Secrets and confidential information of the other Party with at least the same degree of care as they treat their own similar Trade Secrets and confidential information, but in no event with less than reasonable care, and (b) neither Party (nor any of its Subsidiaries) may use or disclose the Trade Secrets or confidential information, as applicable, licensed or disclosed to it by the other Party under this Agreement, except in accordance with their respective license granted in <u>Article III</u>. Nothing herein will limit either Party's ability to enforce its rights against any third party that misappropriates or attempts to misappropriate any Trade Secrets or confidential information from it, regardless of whether it is an owner or licensee of such Trade Secrets or confidential information.

### ARTICLE VII NO REPRESENTATIONS OR WARRANTIES

Section 7.1 NO OTHER REPRESENTATIONS OR WARRANTIES. ALL LICENSES AND RIGHTS GRANTED HEREUNDER ARE GRANTED ON AN AS-IS BASIS WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND. NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, WHETHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, CUSTOM, TRADE, NONINFRINGEMENT, NON-VIOLATION OR NON-MISAPPROPRIATION OF THIRD-PARTY INTELLECTUAL PROPERTY, ARE MADE OR GIVEN BY OR ON BEHALF OF A PARTY. ALL SUCH REPRESENTATIONS AND WARRANTIES, WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE, ARE HEREBY EXPRESSLY EXCLUDED.

Section 7.2 General Disclaimer. Nothing contained in this Agreement shall be construed as:

- (a) a warranty or representation by either Party as to the validity, enforceability or scope of any Intellectual Property Rights;
  - (b) an agreement by either Party to maintain any Intellectual Property Rights in force;
- (c) an agreement by either Party to bring or prosecute actions or suits against any third party for infringement of Intellectual Property Rights or any other right, or conferring upon either Party any right to bring or prosecute actions or suits against any third party for infringement of Intellectual Property Rights or any other right;
- (d) conferring upon either Party any right to use in advertising, publicity or otherwise any trademark, trade name or names, or any contraction, abbreviation or simulations thereof, of the other Party;
- (e) conferring upon either Party by implication, estoppel or otherwise any license or other right, except the licenses and rights expressly granted hereunder; or
- (f) except as may be provided in the Transaction Documents, an obligation to provide any technical information, know-how, consultation, technical services or other assistance or deliverables to the other Party.
- Section 7.3 <u>Limitation of Liability</u>. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL OR PUNITIVE DAMAGES ARISING FROM THIS AGREEMENT.

## ARTICLE VIII TERM

Section 8.1 <u>Term and Termination</u>. The term of this Agreement shall commence on the date hereof and shall continue until the expiration of the last to expire of the

Intellectual Property Rights licensed under this Agreement; <u>provided</u> that the term of the Patent licenses granted pursuant to <u>Section 3.4(a)</u> and <u>Section 3.5(a)</u> shall end upon the expiration of the last Patent licensed thereunder. The transfers, assignments, conveyances and licenses granted in this Agreement are irrevocable and cannot be earlier terminated. Each Party acknowledges and agrees that its sole remedies for breach by the other Party of the licenses granted hereunder, or of any other provision hereof, shall be to bring a claim to recover damages and to seek appropriate equitable relief, subject to the restriction in the following sentence. Each Party agrees that the transfers, assignments, conveyances and licenses such Party grants or makes to the other Party shall continue in full force and effect, notwithstanding any breach of or default under any term hereof by the other Party, and in no event shall such Party, directly or indirectly, seek to have this Agreement (including any of the rights or licenses granted by such Party herein) rescinded, revoked or otherwise terminated, in part or in whole, or seek to enjoin the lawful exercise of any rights or licenses granted by such Party hereunder or take any similar action.

## ARTICLE IX GENERAL PROVISIONS

Section 9.1 <u>Transfer of IPR</u>. Nothing set forth herein shall restrict either Party from transferring, assigning or licensing any Intellectual Property Rights owned by it and licensed to the other Party hereunder; <u>provided</u> that any transfer or assignment of any Intellectual Property Rights licensed to a Party hereunder shall be subject to the licenses granted in this Agreement, and the proposed transferee or assignee shall provide written acknowledgment that the Intellectual Property Rights such proposed transferee or assignee is acquiring are subject to the licenses granted in this Agreement.

Section 9.2 Entire Agreement. This Agreement, the Separation Agreement, the other Transaction Documents and the Exhibits, Schedules and appendices hereto and thereto constitute the entire agreement and understanding between the Parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, whether written or oral, relating to such subject matter. In the event of any conflict between the terms of this Agreement and the Separation Agreement or any other Transaction Document, the terms of this Agreement shall prevail. This Agreement, the Separation Agreement and the other Transaction Documents together govern the arrangements in connection with the transaction and would not have been entered independently.

Section 9.3 Amendment and Waivers. Subject to applicable Law, any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each of the Parties, or, in the case of a waiver, by the Party against whom the waiver is to be effective. No course of dealing and no failure or delay on the part of any Party hereto in exercising any right, power or remedy conferred by this Agreement shall operate as a waiver thereof or otherwise prejudice such Party's rights, powers and remedies. The failure of any of the Parties to this Agreement to require the performance of a term or obligation under this Agreement or the waiver by any of the Parties to this Agreement of any breach hereunder shall not prevent subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach hereunder. No single or partial

exercise of any right, power or remedy conferred by this Agreement shall preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Section 9.4 No Third-Party Beneficiaries. The provisions of this Agreement are solely for the benefit of the Parties and are not intended to confer in or on behalf of any Person, except the Parties (and their successors and assigns), any rights, benefits, causes of action or remedies hereunder, and there are no third-party beneficiaries of this Agreement, and this Agreement shall not provide any third person with any remedy, claim, Liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

Section 9.5 Other Remedies. Except to the extent set forth otherwise herein, any and all remedies herein expressly conferred upon a Party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by Law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise of any other remedy. It is accordingly agreed that, subject to Section 8.1, the Parties will be entitled (in addition to any other remedy that may be available to it) to an injunction or injunctions to prevent breaches or threatened breaches of this Agreement and to enforce specifically the terms and provisions hereof and that no Party shall be required to provide any bond or other security in connection with any such decree, order or injunction or in connection with any related action.

Section 9.6 <u>Notices</u>. 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 days after being mailed by certified or registered mail, return receipt requested, with appropriate postage prepaid, or when received in the form of 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):

(a) if to SpinCo:

GXO Logistics, Inc. Two American Lane Greenwich, Connecticut 06831

Attention: Chief Legal Officer, Karlis Kirsis

Email: Karlis.Kirsis@gxo.com

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

Wachtell, Lipton, Rosen & Katz 51 West 52nd Street New York, New York 10019

Facsimile: (212) 403-2000

Attention: Adam O. Emmerich, Esq.

Viktor Sapezhnikov, Esq.

Email: AOEmmerich@wlrk.com

VSapezhnikov@wlrk.com

(b) if to Parent:

XPO Logistics, Inc. Five American Lane Greenwich, Connecticut 06831

Attention: Deputy Chief Financial Officer, Ravi Tulsyan

E-mail: ravi.tulsyan@xpo.com

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

Wachtell, Lipton, Rosen & Katz 51 West 52nd Street New York, New York 10019

Facsimile: (212) 403-2000

Attention: Adam O. Emmerich, Esq.

Viktor Sapezhnikov, Esq.

Email: AOEmmerich@wlrk.com

VSapezhnikov@wlrk.com

#### Section 9.7 Governing Law; Jurisdiction and Forum; Waiver of Jury Trial.

This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware. In addition, each of the Parties irrevocably and unconditionally (i) submits to the exclusive personal jurisdiction of the Court of Chancery of the State of Delaware (or, if the Court of Chancery of the State of Delaware declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware) (and, in the case of appeals, appropriate appellate courts therefrom), 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; (ii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court; (iii) agrees that it will not bring any Proceeding or arbitration relating to this Agreement or the Transaction or the other transactions contemplated hereby in any court other than the above-named courts; and (iv) agrees that it will not seek to assert by way of motion, as a defense or otherwise, that any such Proceeding (A) is brought in an inconvenient forum, (B) should be transferred or removed to any court other than one of the above-named courts, (C) should be stayed by reason of the pendency of some other Proceeding in any court other than one of the above-named courts, or (D) that this Agreement or the subject matter hereof may not be enforced in or by the above-named courts. Each Party agrees that service of process

upon such Party in any such action or Proceeding shall be effective if Notice is given in accordance with Section 9.6.

(b) EACH PARTY TO THIS AGREEMENT WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THEM AGAINST THE OTHER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR THE ADMINISTRATION THEREOF OR ANY OF THE SERVICES OR OTHER TRANSACTIONS CONTEMPLATED HEREIN. 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 RELATED INSTRUMENTS. NO PARTY 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 BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS SET FORTH ABOVE IN THIS Section 9.7. NO PARTY HAS IN ANY WAY AGREED WITH OR REPRESENTED TO ANY OTHER PARTY THAT THE PROVISIONS OF THIS Section 9.7 WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

Section 9.8 <u>Relationship of the Parties</u>. Nothing contained herein shall be deemed to create a partnership, joint venture or similar relationship between the Parties. Neither Party is the agent, employee, joint venturer, partner, franchisee or representative of the other Party. Each Party specifically acknowledges that it does not have the authority to, and shall not, incur any obligations or responsibilities on behalf of the other Party. Notwithstanding anything to the contrary in this Agreement, each Party (and its officers, directors, agents, employees and members) shall not hold themselves out as employees, agents, representatives or franchisees of the other Party or enter into any agreements on such Party's behalf.

Section 9.9 <u>Severability</u>. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other competent 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. Upon such a determination, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order to replace such provision with a valid, legal and enforceable provision that will achieve, to the maximum extent legally permissible, the economic, business and other purposes of such provision.

Section 9.10 <u>Counterparts</u>. This Agreement may be executed in two 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 or more such counterparts have been signed by each Party and delivered (by facsimile, e-mail, or otherwise) to the other Party. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in "portable document format" from, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, shall

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.					
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IN WITNESS WHEREOF, the Parties have caused this Intellectual Property License Agreement to be executed by their duly authorized representatives as of the date first written above.

XPO LOGISTICS, INC.

By:	
	Name:
	Title:
GXO	LOGISTICS, INC.
By:	
	Name:
	Title:

[Signature Page to the Intellectual Property License Agreement]

### FORM OF AMENDED AND RESTATED

#### CERTIFICATE OF INCORPORATION

OF

#### **GXO LOGISTICS, INC.**

GXO LOGISTICS, INC., a corporation organized and existing under the laws of the State of Delaware, pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware, as it may be amended and supplemented (the "DGCL"), hereby certifies as follows:

- 1. The name of this corporation is: GXO Logistics, Inc.
- 2. The original Certificate of Incorporation was filed with the Secretary of the State of Delaware on February 16, 2021 under the name "XPO Holdings, Inc." A Certificate of Amendment to the original Certificate of Incorporation and a Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on March 17, 2021 (the Restated Certificate of Incorporation, as amended, the "Certificate of Incorporation").
- 3. This Amended and Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Sections 242 and 245 of the DGCL and by the written consent of its sole stockholder in accordance with Section 228 of the DGCL, and is to become effective as of 11:59 PM, Eastern Time, on [•], 2021.
- 4. This Amended and Restated Certificate of Incorporation amends and restates the Certificate of Incorporation to read in its entirety as follows:

# ARTICLE I NAME OF CORPORATION

The name of the corporation is GXO Logistics, Inc. (the "Corporation").

## ARTICLE II REGISTERED OFFICE; REGISTERED AGENT

The address of the Corporation's registered office in the State of Delaware is 9 E. Loockerman Street, Suite 311 in the City of Dover, County of Kent, State of Delaware, 19901. The name of the Corporation's registered agent at such address is Registered Agent Solutions, Inc. The Corporation may have such other offices, either within or without the State of Delaware, as the Board of Directors of the Corporation (the "Board of Directors") may designate or as the business of the Corporation may from time to time require.

## ARTICLE III PURPOSE

The nature of the business of the Corporation and its purpose is to engage in any lawful act or activity for which corporations may be organized and incorporated under the DGCL.			

#### ARTICLE IV STOCK

Section 1. Authorized Stock. The total number of authorized shares of capital stock of the Corporation shall be Three Hundred and Ten Million (310,000,000) shares, which shall be divided into two classes as follows: (a) Three Hundred Million (300,000,000) shares of common stock par value \$0.01 per share (the "Common Stock") and (b) Ten Million (10,000,000) shares of preferred stock par value \$0.01 per share (the "Preferred Stock").

#### Section 2. Common Stock.

- (a) Except as otherwise provided by law, by this Amended and Restated Certificate of Incorporation, or by the resolution or resolutions adopted by the Board of Directors designating the rights, powers and preferences of any series of Preferred Stock, the holders of outstanding shares of Common Stock shall have the right to vote on all matters, including the election of directors, to the exclusion of all other stockholders, and holders of Preferred Stock shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote (except where otherwise provided in the certificate of designations governing such series). Each holder of record of Common Stock shall be entitled to one vote for each share of Common Stock standing in the name of the stockholder on the books of the Corporation.
- (b) Subject to any rights granted to holders of shares of any class or series of Preferred Stock then outstanding, the holders of shares of Common Stock shall be entitled to receive such dividends and other distributions in cash, property, stock or otherwise as may be declared thereon by the Board of Directors at any time and from time to time out of assets or funds of the Corporation legally available therefor and shall share equally on a per share basis in such dividends and distributions.
- (c) In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation, and subject to any rights granted to holders of shares of any class or series of Preferred Stock then outstanding, the holders of shares of Common Stock shall be entitled to receive all of the remaining assets of the Corporation available for distribution to its stockholders, ratably in proportion to the number of shares of Common Stock held by them.
- Section 3. Preferred Stock. Shares of Preferred Stock may be authorized and issued in one or more series. The Board of Directors (or any committee to which it may duly delegate the authority granted in this Article IV) is hereby empowered, by resolution or resolutions, to authorize the issuance from time to time of shares of Preferred Stock in one or more series, for such consideration and for such corporate purposes as the Board of Directors (or such committee thereof) may from time to time determine, and by filing a certificate pursuant to applicable law of the State of Delaware as it presently exists or may hereafter be amended to establish from time to time for each such series the number of shares to be included in each such series and to fix the designations, powers, rights and preferences of the shares of each such series, and the qualifications, limitations and restrictions thereof to the fullest extent now or hereafter permitted by this Amended and Restated Certificate of Incorporation and the laws of the State of Delaware, including, without limitation, voting rights (if any), dividend rights, dissolution rights, conversion rights, exchange rights and redemption rights thereof, as shall be stated and expressed in a resolution or resolutions adopted by the Board of Directors (or such committee thereof) providing for the issuance of such series of Preferred Stock. Each series of Preferred Stock shall be distinctly designated.

The authority of the Board with respect to each series of Preferred Stock shall include, but not be limited to, determination of the following:

- (a) the designation of the series, which may be by distinguishing number, letter or title;
- (b) the number of shares of the series, which number the Board of Directors may thereafter (except where otherwise provided in the certificate of designations governing such series) increase or decrease (but not below the number of shares thereof then outstanding);
- (c) the amounts payable on, and the preferences, if any, of shares of the series in respect of dividends, and whether such dividends, if any, shall be cumulative or noncumulative;
  - (d) the dates at which dividends, if any, shall be payable;
  - (e) the redemption rights and price or prices, if any, for shares of the series;
- (f) the terms and amount of any sinking fund provided for purchase or redemption of shares of the series;
- (g) the amounts payable on, and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;
- (h) whether the shares of the series shall be convertible into or exchangeable for shares of any other class or series, or any other security, of the Corporation or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion or exchange price or prices or rate or rates, any adjustments thereof, the date or dates at which such shares shall be convertible or exchangeable and all other terms and conditions upon which such conversion or exchange may be made;
  - (i) the restrictions on the issuance of shares of the same series or of any other class or series; and
  - (i) the voting rights, if any, of the holders of shares of the series.

The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

#### ARTICLE V TERM

The term of existence of the Corporation shall be perpetual.

### ARTICLE VI BOARD OF DIRECTORS

Section 1. <u>Number of Directors</u>. Subject to any rights of the holders of any class or series of Preferred Stock to elect additional directors under specified circumstances, the number of directors which shall constitute the Board of Directors shall be fixed from time to time in accordance with the Amended and Restated Bylaws of the Corporation (as amended, restated or otherwise modified from time to time, the "<u>Bylaws</u>").

Section 2. <u>Classification</u>; <u>Election of Directors</u>. The directors of the Corporation shall be divided, with respect to the time for which they severally hold office, into three classes designated Class I, Class II and Class III. The initial assignment of directors to each such class shall be made by the Board of Directors. Each class shall consist, as nearly as possible, of one-third of the total number of such directors. Class I directors shall initially serve for a term expiring at the 2022 annual meeting of stockholders, Class II directors shall initially serve for a term expiring at the 2023 annual meeting of stockholders, and Class III directors shall initially serve for a term expiring at the 2024 annual meeting of stockholders. Directors of each class shall hold office until the annual meeting at which his or her term expires and until his or her successor shall be elected and qualified, or his or her death, resignation, retirement, disqualification or removal from office. At the 2022 annual meeting of stockholders, the directors whose terms expire at that meeting will be elected for a three-year term expiring at the 2025 annual meeting of stockholders and until their respective successors shall have been duly elected and qualified or until their earlier resignation or removal; at the 2023 and 2024 annual meetings of stockholders, the directors whose terms expire at such meetings shall be elected to hold office for a one-year term expiring, respectively, at the 2024 and 2025 annual meetings of stockholders and until their respective successors shall have been duly elected and qualified or until their earlier resignation or removal (for the avoidance of doubt, at the 2024 annual meeting the Class II directors shall be elected to hold office for a one-year term expiring at the 2025 annual meeting of stockholders); and at the 2025 annual meeting of stockholders and each annual meeting of stockholders thereafter, all directors shall be elected to hold office for a one-year term expiring at the next annual meeting of stockholders and until their respective successors shall have been duly elected and qualified or until their earlier resignation or removal. Pursuant to such procedures, effective as of the conclusion of the 2025 annual meeting of stockholders (the "Declassification Time"), the Board will no longer be classified under Section 141(d) of the DGCL and directors shall no longer be divided into three classes. Prior to the Declassification Time, if the number of directors is changed, any newly created directorships or decrease in directorships shall be so apportioned among the classes as to make all classes as nearly equal in number as practicable, but in no case will a decrease in the number of directors shorten the term of any incumbent director. Unless and except to the extent that the Bylaws shall so require, the election of directors of the Corporation need not be by written ballot. Advance notice of stockholder nominations for the election of directors shall be given in the manner and to the extent provided in the Bylaws.

Section 3. Newly Created Directorships and Vacancies. Subject to applicable law and the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, vacancies resulting from death, resignation, retirement, disqualification, removal from office or other cause, and newly created directorships resulting from any increase in the authorized number of directors, may be filled only by the affirmative vote of a majority of the remaining directors, though less than a quorum of the Board of Directors, or the sole remaining director and directors so chosen shall hold office until such director's successor has been duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided. No decrease in the number of authorized directors constituting the total number of directors that the Corporation would have if there were no vacancies shall shorten the term of any incumbent director.

Section 4. Removal of Directors. Prior to the Declassification Time, any director, or the entire Board of Directors, may be removed from office at any time but only for cause and only by the affirmative vote of the holders of a majority of the outstanding shares of capital stock of the Corporation entitled to vote generally for the election of directors (the "Voting Stock") at a meeting called for that purpose. From and after the Declassification Time, any director may be removed from office at any time with or without cause, but only by the affirmative vote of the holders of a majority of the Voting Stock at a meeting called for that purpose.

- Section 5. <u>Rights of Holders of Preferred Stock</u>. Notwithstanding the provisions of this <u>Article VI</u>, whenever the holders of one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately or together by series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorship shall be governed by the rights of such Preferred Stock as set forth in the certificate of designations governing such series.
- Section 6. <u>No Cumulative Voting</u>. Except as may otherwise be set forth in the resolution or resolutions of the Board of Directors providing the issuance of a series of Preferred Stock, and then only with respect to such series of Preferred Stock, cumulative voting in the election of directors is specifically denied.
- Section 7. <u>Stockholder Nomination of Director Candidates</u>. Advance notice of stockholder nominations for the election of directors and of any stockholder proposals to be considered at an annual stockholder meeting shall be given in the manner provided in the Bylaws.

### ARTICLE VII STOCKHOLDER ACTION

- Section 1. Special Meetings of Stockholders. Special meetings of the stockholders may only be called only by or at the direction of (1) the Chairman of the Board of Directors, or (2) the Board of Directors pursuant to a resolution adopted by a majority of the total number of directors which the Corporation would have if there were no vacancies, and any power of stockholders to call a special meeting is specifically denied. At any special meeting of stockholders, only such business shall be conducted or considered as shall have been properly brought before the meeting pursuant to the Corporation's notice of meeting.
- Section 2. <u>Stockholder Action by Written Consent</u>. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

#### ARTICLE VIII DIRECTOR LIABILITY

To the fullest extent permitted by the DGCL, as the same exists or may hereafter be amended, a director of the Corporation shall not be personally liable either to the Corporation or to any of its stockholders for monetary damages arising from a breach of fiduciary duty owed to the Corporation or its stockholders. Any amendment, modification or repeal of the foregoing sentence shall not adversely affect any right or protection of a director of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, modification or repeal. If the DGCL hereafter is amended to further eliminate or limit the liability of a director, then a director of the Corporation, in addition to the circumstances in which a director is not personally liable as set forth in the preceding sentence, shall not be liable to the fullest extent permitted by the amended DGCL.

## ARTICLE IX INDEMNIFICATION

Section 1. <u>In General</u>. Each person who was or is a party or is otherwise threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter, a "<u>Proceeding</u>"), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was, at any time during which this Article

IX is in effect (whether or not such person continues to serve in such capacity at the time any indemnification or advancement of expenses pursuant hereto is sought or at the time any Proceeding relating thereto exists or is brought), a director or officer of the Corporation or, while serving as a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, trustee, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by the Corporation (hereinafter, a "Covered Person"), shall be (and shall be deemed to have a contractual right to be) indemnified and held harmless by the Corporation (and any successor of the Corporation by merger or otherwise) to the fullest extent authorized by the DGCL as the same exists or may hereafter be amended or modified from time to time (but, in the case of any such amendment or modification, only to the extent that such amendment or modification permits the Corporation to provide greater indemnification rights than said law permitted the Corporation to provide prior to such amendment or modification). against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such person in connection with such Proceeding if the person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful. Such indemnification shall continue as to a person who has ceased to be a director or officer of the Corporation or ceased serving at the request of the Corporation as a director, officer, trustee, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by the Corporation, and shall inure to the benefit of his or her heirs, executors and administrators; provided that, except as provided in Section 3 of this Article IX, the Corporation shall indemnify any such person seeking indemnification in connection with a Proceeding (or part thereof) initiated by such person only if such Proceeding (or part thereof) was authorized by the Board of Directors.

Section 2. Advance of Expenses. To the fullest extent authorized by the DGCL as the same exists or may hereafter be amended or modified from time to time (but, in the case of any such amendment or modification, only to the extent that such amendment or modification permits the Corporation to provide greater rights to advancement of expenses than said law permitted the Corporation to provide prior to such amendment or modification), each Covered Person shall have (and shall be deemed to have a contractual right to have) the right, without the need for any action by the Board of Directors, to be paid by the Corporation (and any successor of the Corporation by merger or otherwise) the expenses incurred in connection with any Proceeding in advance of its final disposition, such advances to be paid by the Corporation within twenty (20) days after the receipt by the Corporation of a statement or statements from the claimant requesting such advance or advances from time to time; provided that if the DGCL requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not, except to the extent specifically required by applicable law, in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter, the "Undertaking") by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right of appeal (a "final disposition") that such director or officer is not entitled to be indemnified for such expenses under this Article IX or otherwise.

Right of Claimant to Bring Suit. If a claim for indemnification under this Article IX is not paid in full by the Corporation within thirty (30) days after a written claim has been received by the Corporation, or if a request for advancement of expenses under Section 2 of this Article IX is not paid in full by the Corporation within twenty (20) days after a statement pursuant to Section 2 of this Article IX and the required Undertaking, if any, have been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim for indemnification or request for advancement of expenses and, if successful, in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action that, under the DGCL, the claimant has not met the standard of conduct which makes it permissible for the Corporation to indemnify the claimant for the amount claimed or that the claimant is not entitled to the requested advancement of expenses, but (except where the required Undertaking, if any, has not been tendered to the Corporation) the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Disinterested Directors (as defined in the Bylaws of the Corporation), Independent Counsel (as defined in the Bylaws of the Corporation) or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Disinterested Directors, Independent Counsel or stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

#### Section 4. Contract Rights; Amendment and Repeal; Non-Exclusivity of Rights.

- (a) All of the rights conferred in this Article IX, as to indemnification, advancement of expenses and otherwise, shall be contract rights between the Corporation and each Covered Person to whom such rights are extended that vest at the commencement of such Covered Person's service to or at the request of the Corporation and: (x) any amendment or modification of this Article IX that in any way diminishes or adversely affects any such rights shall be prospective only and shall not in any way diminish or adversely affect any such rights with respect to such person; and (y) all of such rights shall continue as to any such Covered Person who has ceased to be a director or officer of the Corporation or ceased to serve at the Corporation's request as a director, officer, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, as described herein, and shall inure to the benefit of such Covered Person's heirs, executors and administrators.
- (b) All of the rights conferred in this Article IX, as to indemnification, advancement of expenses and otherwise: (i) shall not be exclusive of any other rights to which any person seeking indemnification or advancement of expenses may be entitled or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or Disinterested Directors or otherwise both as to action in such person's official capacity and as to action in another capacity while holding such office; and (ii) cannot be terminated or impaired by the Corporation, the Board of Directors or the stockholders of the Corporation with respect to a person's service prior to the date of such termination.

#### Section 5. Insurance; Other Indemnification and Advancement of Expenses.

(a) The Corporation may maintain insurance, at its expense, to protect itself and any current or former director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

(b) The Corporation may, to the extent authorized from time to time by the Board of Directors or the Chairman of the Board of Directors, grant rights to indemnification and rights to advancement of expenses incurred in connection with any Proceeding in advance of its final disposition, to any current or former officer, employee or agent of the Corporation to the fullest extent permitted by applicable law.

Section 6. <u>Severability</u>. If any provision or provisions of this Article IX shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this Article IX (including, without limitation, each portion of any paragraph of this Article IX containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this Article IX (including, without limitation, each such portion of any paragraph of this Article IX containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

## ARTICLE X AMENDMENTS TO BYLAWS

In furtherance and not in limitation of the powers conferred by law, the Board of Directors is expressly authorized and empowered to adopt, amend, alter, change or repeal the Bylaws by a majority vote at any regular or special meeting of the Board of Directors or by written consent, subject to the power of the stockholders of the Corporation to alter or repeal any Bylaws made by the Board of Directors.

### ARTICLE XI AMENDMENTS

The Corporation reserves the right at any time to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, and any other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article.

## ARTICLE XII EXCLUSIVE FORUM

Unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for: (a) any derivative action or proceeding brought on behalf of the Corporation; (b) any action asserting a claim for or based on a breach of a fiduciary duty owed by any current or former director or officer or other employee of the Corporation to the Corporation or to the Corporation's stockholders, including a claim alleging the aiding and abetting of such a breach of fiduciary duty; (c) any action asserting a claim against the Corporation or any current or former director or officer or other employee of the Corporation arising pursuant to any provision of the DGCL or this Certificate of Incorporation or the Bylaws (as either may be amended from time to time); (d) any action asserting a claim related to or involving the Corporation that is governed by the internal affairs doctrine; or (e) any action asserting an "internal corporate claim" as that term is defined in Section 115 of the DGCL shall be a state court located within the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal court for the District of Delaware). Unless the Corporation

consents in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended.

\* \* \* \* \* \*

[Signature appears on next page]

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IN WITNESS WHEREOF, the undersigned has duly executed this Amended and Restated Certificate of Incorporation, this [•] day of [•], 2021.

GXO LOGISTICS, INC.	
Ву:	
Name:	
Title:	

[Signature Page to Amended and Restated Certificate of Incorporation]

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Dated:	9 July 2021
(1)	XPO SUPPLY CHAIN UK LIMITED
(2)	Karlis Kirsis
Service Ag	reement

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### THIS AGREEMENT is made on 9 July, 2021

#### **BETWEEN**

- (1) XPO SUPPLY CHAIN UK LIMITED whose registered office is at XPO House, Lodge Way, New Dunston, Northampton, NN5 7SL (the "Company"); and
- (2) Karlis Kirsis (the "Executive").

#### **OPERATIVE PROVISIONS**

- 1. **DEFINITIONS AND INTERPRETATION**
- 1.1 In this Agreement the following expressions have the following meanings:

"Automatic Enrolment Laws"

the provisions of Part I of the Pensions Act 2008 and the Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010;

"Board"

the Board of directors of the Company from time to time (including any committee of the Board duly appointed by it);

"CIPA"

means the Confidential Information Protection Agreement between the Executive and XPO dated 18 July, 2016;

"Commencement Date"

means the effective date of the Spin-Off;

"Confidential Information"

trade secrets or other technical or commercially sensitive information of the Company or any Group Company and its/ their officers, shareholders, customers, clients or suppliers in whatever form (whether in written, oral, visual or electronic form or on any magnetic or optical disk or memory and wherever located and whether or not marked "confidential"), including (without limitation) such information falling within the following categories:

Know-How; information relating to the business, products, affairs and finances of the Company or any Group Company; suppliers and their production and delivery capabilities; identity and contact details of clients, future and prospective clients, customers, future and prospective customers and details of their particular requirements; Connections; costings, profit margins, discounts, rebates and other financial information; marketing strategies and tactics; current activities and current and future plans relating to all or any of development, production or sales including the timing of all or any such matters; information about employees including their particular areas of expertise and terms of employment; remuneration and benefit strategies for employees; research and development; manufacture or production, controls including quality controls; strategies and tactics; the development of new products and services and/or new lines of business, development maintenance; policies and procedures; and career path and appraisal details of employees;

providing that the foregoing shall not apply to information widely known outside of the Group or which has been publicly available or disseminated by the Group, save (in either case) through the default of the Executive;

"Connections"

work-related contacts and contact details obtained during the Executive's employment with the Company or resulting from the performance of the Duties which are retained in electronic profile pages within social networking sites such as Facebook, LinkedIn, Twitter and similar and whether described as friend, follower, connection or otherwise;

"Critical Person"

any employee, agent, director, consultant or independent contractor employed, appointed or engaged by the Company or any Group Company in a senior, executive, professional, technical, marketing, distribution, sales or managerial capacity and:

- (a) with whom the Executive had material contact in the course of that person's employment, appointment or engagement during the Relevant Period; or
- (b) for whose activities on behalf of the Company the Executive had direct or indirect responsibility during the Relevant Period;

"Duties"

such duties, functions and exercises of power as delegated or assigned to the Executive by the Board from time to time in accordance with clause 3 of this Agreement;

"Employment IPRs"

Intellectual Property Rights created by the Executive in the course of their employment with the Company or any Group Company (whether or not during working hours or using the Company's or any Group Company's premises or resources);

"ERA"

the Employment Rights Act 1996;

"Group"

the Company and every Group Company wherever registered or incorporated;

"Group Company"

the Company and its Parent Undertakings, its Subsidiary Undertakings and the Subsidiary Undertakings of any of its Parent Undertakings from time to time ("Parent Undertaking" and "Subsidiary Undertaking" having the meanings set out in section 1162 Companies Act 2006);

"GXO"

means GXO Logistics, Inc.;

## "Intellectual Property Rights"

patents, rights to Inventions, utility models, copyright and related rights, trademarks, trade names and domain names, rights in get up, rights in goodwill or to sue for passing off, unfair competition rights, rights in designs, rights in computer software, database rights, topography rights, rights in confidential information (including Know-How and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for, and renewals or extensions of, such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world;

"Inventions"

any invention, idea, discovery, development, improvement or innovation whether or not patentable or capable of registration and whether or not recorded in any medium;

"Know-How"

formulae, methods, plans, Inventions, discoveries, improvements, processes, performance methodologies, techniques, specifications, technical information, tests, results, reports, component lists, manuals and instructions;

"PAYE deductions"

deductions made to comply with or meet any liability of the Company to account for tax pursuant to regulations made under Chapter 2 of Part 11 Income Tax (Earnings and Pensions) Act 2003 and with any obligations to deduct national insurance contributions;

"Products or Services"

products or services which (i) are the same as, of the same kind as, or of a materially similar kind to, or competitive with, any products or services supplied or provided by the Company or Relevant Group Company within the Relevant Period and (ii) with the design, development, sale or supply, promotion or provision of which the Executive was directly or otherwise materially concerned or connected during the Relevant Period;

"Recognised Investment Exchange"

has the meaning given to it in section 285 of the Financial Services and Markets Act 2000;

"Relevant Customer"

any person, firm, company or organisation who or which at any time during the Relevant Period is or was:

- (a) negotiating with the Company or any other Group Company for the sale or supply of products or services; or
- a client or customer of, or in the habit of dealing with, the Company or any other Group Company for the sale or supply of products or services,

- (i) with whom or which the Executive had material contact or dealings or about whom or which the Executive was in possession of Confidential Information during the Relevant Period in the course of their employment; and/or
- (ii) with whom any employees of the Company or any other Group Company reporting to the Executive had material contact or dealings during the Relevant Period in the course of their employment;

## "Relevant Group Company"

any Group Company (other than the Company) for which the Executive has performed services under this Agreement or for or in respect of which they have had operational or management responsibility at any time during the Relevant Period;

#### "Relevant Period"

the period of 12 months immediately before the Termination Date or (where such provision is applied) the commencement of any period of exclusion pursuant to Clause 20.2;

### "Relevant Supplier"

any business which at any time during the Relevant Period has supplied products or services to the Company or any Relevant Group Company and:

- (a) with which the Company or any Group Company has exclusive, special or favourable terms which the Company or Group Company could not easily obtain from a replacement supplier;
- (b) with which the Executive had material contact or dealings or about which the Executive was in possession of Confidential Information in the Relevant Period during the course of their employment;

# "Restricted Territory"

any area or territory:

- (a) in which the Executive worked during the Relevant Period; and/or
- (b) in relation to which the Executive was responsible for, or involved in, the supply of Products or Services in the Relevant Period;

### "Spin-Off"

means the spin-off of 100% of the logistics segment of XPO Logistics, Inc. as a separate publicly traded company in a transaction or series of transactions, the result of which will be that the Company no longer will form part of the group of companies that, with XPO Holdings, Inc, form the XPO Group;

#### "Termination Date"

the date on which the Executive's employment under this Agreement terminates and references to "from the Termination Date" mean from and including the date of termination:

"WTR"

Working Time Regulations 1998.

- 1.2 References to "clauses" are to clauses of this Agreement unless otherwise specified.
- 1.3 Unless otherwise required words denoting the singular include the plural and vice versa.
- 1.4 References to statutory provisions include all modifications and re-enactments of them and all subordinate legislation made under them.
- 1. Clause headings are included for convenience only and do not affect its construction.

#### 2. **APPOINTMENT DURATION AND NOTICE**

- The Executive is appointed as Chief Legal Officer reporting directly to CEO, Malcolm Wilson and may, at the request of the Company, be appointed a director within the meaning of section 250 Companies Act 2006 of the Company or any Group Company. The Company has the right in its absolute discretion to change the person or persons to whom the Executive reports or on a restructuring of the Company (or part of the Company to which the Executive is assigned) to introduce additional layers of management senior to the Executive.
- 2.2 The Executive acknowledges and agrees that:
  - 2.2.1 it is a condition precedent to this Agreement that the Spin-Off takes place;
  - 2.2.2 Executive's employment under the terms of this Agreement will commence with immediate effect upon the effective date of the Spin-Off;
  - 2.2.3 should the Spin-Off occur the Company may, at its absolute discretion, require the Executive to work from an alternative location appropriate to GXO; and
  - 2.2.4 in the event that the Executive is required to enter into a new contract of employment (whether with the Company or any other entity) as a result of the Spin-Off, they will do so forthwith and without further compensation.

- 2.3 In the event that the Executive fails to comply with the provisions of **Clauses 2.2.3 and 2.2.4**, their employment under this Agreement shall terminate immediately without the need for further notice or entitlement to further payment of any kind save for accrued salary and annual leave.
- 2.4 The parties acknowledge and agree that the terms and conditions set out in this Agreement are conditional and contingent on the Spin-Off taking place and that, in the event that the Spin-Off does not take place, then the terms of this Agreement shall cease to have effect in its entirety and the Executive shall have no entitlement to rely on or otherwise receive any remuneration or benefit under the same.

- 2.5 The Executive's continuous employment with the Company for the purposes of the ERA commenced on 06 September 2016. No employment with a previous employer counts for the purposes of the ERA as part of the Executive's period of continuous employment.
- 2.6 The Executive's employment under this Agreement will commence on the Commencement Date and will continue unless and until terminated:
  - 2.6.1 in the circumstances described in **Clauses 2.3, 21** or **20**; or
  - 2.6.2 by either party giving to the other written notice of the period specified in **The Schedule**.
- 2.7 The Company reserves the right to transfer the Executive's employment under this Agreement to another Group Company at any time at its discretion.
- 2.8 There is no probationary period applicable to this appointment.

### 3. **DUTIES**

- 3.1 Subject to the terms of this Agreement, the Executive must:
  - 3.1.1 devote the whole of his working time, attention and skill to the affairs of the Company and any Group Company and use his best endeavours to promote their interests;
  - 3.1.2 faithfully and diligently exercise such powers and perform such duties as may from time to time be assigned to him by the Board;
  - 3.1.3 obey all lawful and reasonable directions of the Board;
  - 3.1.4 comply with all of the Company's rules, regulations, policies and procedures from time to time in force including, but not limited to, the Company's data protection policy, email and internet policy, equal opportunities policy and anti-bribery policy;
  - 3.1.5 promptly give to the Board (in writing if requested) all information, explanations and assistance that the Board may require in connection with the business or affairs of the Company and any Group Company or his employment;
  - 3.1.6 3.1.6 act as a director of the Company and carry out duties on behalf of any other Group Company including, if required by the Board, acting as an officer of any such Group Company;
  - 3.1.7 comply with his statutory duties as a director under the Companies Act 2006 and any other fiduciary or common law duties owed to the Company and any Group Company of which he is a director;
  - 3.1.8 comply with the articles of association of the Company and any Group Company of which he is a director;

3.1.9	comply with all requirements, recommendations or regulations, as amended from time to time,
	of any regulatory authority relevant to the Company or any Group Company, and any code of
	practice, policies or procedures issued by the Company or any Group Company relating to dealing
	in the securities of the Company and any Group Company;

3.1.10	comply with	the	requirements	under	both	legislation	and	regulation	on	the	disclosure	of	inside
	information;												

- 3.1.11 not engage in the facilitation of tax evasion and report immediately to the Board if he has any concerns or suspicions of tax evasion or associated fraud;
- 3.1.12 not without the prior written consent of the Board:
  - 3.1.12.1 incur any capital expenditure in excess of such sums as may be authorised from time to time; or
  - 3.1.12.2 enter into or terminate on behalf of the Company or any Group Company any commitment, contract or arrangement otherwise than in the normal course of business or outside the scope of his normal duties or of an unusual, onerous or long-term nature; and
- 3.1.13 report immediately to the Board his own wrongdoing and any actual or suspected wrongdoing on the part of other staff of the Company or any Group Company of which he becomes aware, including in particular (without limitation) conduct which, were it by the Executive, would fall within **Clauses 3.1.1 to 3.1.12** above.
- The Executive acknowledges and agrees that he is at all times during his employment (including during any period of suspension or while on garden leave in accordance with **Clause 20.2**) subject to duties of goodwill, trust, confidence, exclusive service, faith and fidelity to the Company. These duties include, without limitation, the obligation throughout the duration of this Agreement:
  - 3.2.1 not to compete with the Company or any Group Company;
  - 3.2.2 not to make preparations (during such hours as the Executive should be providing services under this Agreement) to compete with the Company or any Group Company after this Agreement has terminated;
  - 3.2.3 not to solicit in competition with the Company or any Group Company any customer or customers of the Company or any Group Company;
  - 3.2.4 not to entertain invitations to provide services either in a personal capacity or on behalf of any third party from actual or prospective customers of the Company or any Group Company where such invitations relate to services which could be provided by the Company or any Group Company;
  - 3.2.5 not to offer employment elsewhere to employees of the Company or any Group Company;
  - 3.2.6 not to copy or memorise Confidential Information (as defined in **Clause 1.1**) or trade secrets of the Company or any Group Company with a view to using or disclosing such information for a purpose other than for the benefit of the Company or any Group Company; and
  - 3.2.7 not to encourage, procure or assist any third party to do anything which, if done by the Executive, would be a breach of **Clauses 3.2.1 to 3.2.6** above.

- 3.3 The Executive will, if and so long as required by the Company, carry out duties for and/or act as a director, officer or employee of the Company or any Group Company and shall comply with the Articles of Association of the Company and/or Group Company (as amended from time to time). The duties attendant on any such appointment will be carried out as if they were duties to be performed by the Executive on behalf of the Company under this Agreement.
- 3.4 The Executive will at all times promptly give to the Board (in writing if requested) all information, explanations and assistance that the Board may require in connection with the business or affairs of the Company and, where appropriate the Group, and the

Executive's employment under this Agreement. The Executive furthermore undertakes to disclose immediately to the Board anything of which they become aware or in which they become involved which affects adversely or may affect adversely the business, interests or reputation of the Company or any Group Company including but not limited to acts of misconduct, dishonesty, breaches of contract, fiduciary duty or company rules whether by the Executive personally or by a director or employee of the Company or any Group Company, irrespective of whether doing so may be self-incriminating on the part of the Executive.

- 3.5 Without prejudice to **Clause 2.1** or **20.2** the Board may at any time require the Executive to cease performing and exercising all or the Duties and/or the Board may appoint any person or persons to act jointly with the Executive to discharge the Duties.
- The Executive will be required to undertake certain compulsory training in respect of their role and general employment from time-to-time. This will be at the Company's expense and will normally be carried out during working hours. Details of this and any additional non-compulsory training to which they may have access subject to Company approval are available from the Human Resources department.

### 4. PLACE OF WORK

The Executive will perform the Duties principally at the head office of the Company and at such other place or places as the Company reasonably requires. The Executive may be required to travel both inside and outside the United Kingdom to fulfil the Duties but shall not be required to reside anywhere outside the United Kingdom for a total period of more than one month at any one time, other than by mutual consent.

## 5. **HOURS OF WORK**

- 5.1 The Executive will work the Company's normal office hours and such other hours without additional remuneration in order to meet the requirements of the business and for the proper performance of the Duties.
- In view of the Executive's seniority and managerial duties and responsibilities, the Executive is regarded as a "managing executive" for the purposes of the WTR and accordingly the maximum weekly working hours provided for under the WTR do not apply.

### 6. **REMUNERATION**

- The Company will pay the Executive a basic salary at the rate specified in **The Schedule** (inclusive of any fees to which they may become entitled as a director of the Company or any Group Company) with effect from the Commencement Date which basic salary will accrue from day to day and be payable in arrears by equal monthly instalments on or around the 25<sup>th</sup> day of each month.
- 6.2 The fact that the Executive's basic salary may be increased in any year or years during their employment does not confer any right on the Executive to receive any increase in any subsequent year and no increase will be payable if the Executive is under notice of termination or in receipt of benefits under the Company's permanent health insurance scheme.
- 6.3 The Executive hereby authorises the Company to deduct from their remuneration (which for this purpose includes basic salary, pay in lieu of notice, commission, bonus, holiday pay and sick pay) all sums owed by

the Executive to the Company or any Group Company, including but without limitation the balance outstanding of any loans (and interest where appropriate) advanced by the Company to the Executive and any deduction pursuant to **Clauses 11** and **13.6**.

In the event that any term of this Agreement provides for the payment of remuneration or payment for loss of office contravenes sections 226B and 226C of the Companies Act 2006 then the Company will be entitled to vary the relevant term.

### 7. **INCENTIVE SCHEMES**

- During this Agreement, the Executive may be allowed to participate in such bonus, incentive, reward, RSU, stock, or long-term incentive scheme or similar schemes (together, the "**Schemes**") as the Company or Group operates for executives of comparable status and on such terms (including any performance targets or criteria) as the Company or Group may determine from time to time in their sole discretion.
- 7.2 Without prejudice to **Clause 7.1** participation in any scheme shall be subject to the following:
  - 7.2.1 the rules, terms, guidelines or associated conditions of such Scheme(s) from time to time in force;
  - 7.2.2 payments under, or participation in, any such Scheme(s) for any year will not confer on the Executive any right to participate in or to be paid under such Scheme(s) in the following year or any subsequent years;
  - 7.2.3 any payments are conditional on such conditions as the Company or Group may determine from time to time in their sole discretion;
  - 7.2.4 no payment will be made under any Scheme if, on the payment date the Executive has given, or has been given, notice of termination of employment, is under investigation by the Company, Group or relevant regulatory authority, suspended from employment or is no longer employed by the Company;
  - 7.2.5 any Scheme is entirely discretionary in nature and is not incorporated by reference into this Agreement;
  - 7.2.6 payments or entitlements under any Scheme are non-pensionable and are subject to PAYE deductions;
- 7.3 For the avoidance of doubt participation in any Scheme or Schemes shall not imply or be intended to imply any right, promise or indication of continued employment.

#### 8. **EXPENSES**

The Executive will be reimbursed for all reasonable out of pocket expenses wholly, exclusively and necessarily incurred personally in the performance of the Duties on hotel, travelling, and other similar items provided that the Executive complies with the Company's current policy relating to expenses and produces to the Company satisfactory evidence of expenditure.

## 9. CAR ALLOWANCE

9.1 Subject to **Clause 9.3**, the Company will, during the term of this Agreement, pay to the Executive with their salary a gross monthly car allowance on the terms and at the rate specified in **The Schedule** (or such higher rate as may from time to time be notified to them). The car allowance is non pensionable and will be subject to statutory deductions. The allowance is being paid on the basis that the Executive provides their own car for business and personal use during the continuance of their employment and pays all costs related to it (including

fuel, licence, insurance, repairs and maintenance), ensures that at all times the car is in the condition required by law and insured for business purposes, indemnifies the Company against all losses suffered in connection with the car which are not covered by insurance and the car used by the Executive is of a type and in a condition suitable for business purposes and commensurate with the status of the Executive.

9.2 In addition to **Clause 9.1**, the Company will, during the term of this Agreement reimburse the Executive for any reasonable fuel expenses wholly and necessarily incurred by them in the performance of their duties at the prevailing Company mileage rate for privately owned vehicles, subject to the completion and authorisation of a claim form.

9.3 The Company expressly reserves the right to at any time withdraw, reduce or vary the provision of a car allowance to the Executive, without compensation.

### 10. **COMPANY BENEFITS**

- 10.1 Subject to underwriting at a reasonable cost to the Company and to the Executive satisfying the normal underwriting requirements of the relevant insurance provider during this Agreement and provided they are below state pension age, the Executive will be entitled to participate at the Company's expense in:
  - 10.1.1 such life assurance scheme as the Company may operate at the level specified in **The Schedule**;
  - 10.1.2 such private medical expenses insurance scheme as the Company may operate for the benefit of those persons specified in **The Schedule**; and
  - 10.1.3 such permanent health insurance scheme as the Company may operate subject to Clause 14.3.
- 10.2 If the relevant insurance provider of any permanent health insurance, life assurance, private medical insurance or other insurance referred to in **Clause 10.1** refuses for any reason to provide the applicable insurance benefit to the Executive (or the Executive's family, as applicable), the Company shall not be liable to provide to the Executive any replacement benefit of the same or similar kind or to pay compensation in lieu of such benefit.
- 10.3 The Executive's participation in any scheme referred to in **Clause 10.1** will be subject to the rules of the relevant scheme from time to time in force and the Executive will be responsible for any tax falling due.
- 10.4 The Company expressly reserves the right to at any time withdraw, reduce or vary the Executive's entitlement under or participation in any schemes or benefits and specifically those referred to in this **Clause 10** without compensation and **Clause 10** is to be read as subject to this provision.
- Nothing in this Agreement will prevent the Company terminating the Executive's employment for whatever reason (including but not limited to his incapacity) even if such termination results in the Executive losing any existing or prospective benefits as detailed in **Clause 14**.
- 10.6 If and for so long as the Executive is in receipt of benefits under any permanent health insurance scheme then his entitlement to any and all payments and benefits other than those provided under that scheme shall cease from the point where such insurance benefits commence.
- 10.7 If the Executive is receiving benefits under any permanent health insurance scheme, the Company shall be entitled to appoint a successor to the Executive to perform all or any of the duties required of the Executive under the terms of this Agreement and the Executive's duties shall be amended accordingly.
- 10.8 Details of any additional benefits applicable to this appointment will be provided to you by the Human Resources Department.
- 10. The Executive acknowledges and agrees that following the Spin-Off, they will only be entitled to the benefits offered by GXO to staff at their level and that as a result their entitlements to any benefits under this Clause 10 may change.

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11.1 The Executive will be provided with a mobile telephone in order to assist with the proper performance of his duties. The mobile telephone remains the property of the Company and it must be returned to the Company on termination of the Executive's employment.

11.2 The Executive is entitled to make and receive personal telephone calls, but if the Company considers there has been improper use of the mobile telephone, the Executive may be required to meet the cost of any calls that are not business-related.

### 12. **PENSION**

- Subject to **Clauses 12.2** and **12.3**, during this Agreement the Executive is entitled to participate in such pension scheme as is notified to the Executive by the Company from time to time.
- 12.2 Membership of any pension scheme is subject to the trust deed and rules or the policy applying to the relevant scheme from time to time (including without limitation any powers of alteration and discontinuance) and the trust deed and rules or policy will take precedence in the event of alleged discrepancy with the terms of this Agreement. If the Executive's rights or benefits under the relevant pension scheme are altered or discontinued, the Company will not be obliged to provide any additional or replacement scheme or pension benefits (except to the extent required by law) or to pay damages or compensation to the Executive.
- 12.3 The Company will comply with its employer duties under the Automatic Enrolment Laws in respect of the Executive and will automatically enrol or re-enrol the Executive into a pension scheme as and when required by law. The Executive is required to notify the Company in writing if they have registered for, or are otherwise eligible for, any form of tax protection which may be lost or prejudiced as a result of them being automatically enrolled or re-enrolled into a pension scheme. The Company will have no liability to the Executive in respect of any adverse tax consequences of their automatic enrolment or re-enrolment where the Executive fails to provide such notification, or where the notification is provided less than one week prior to the Executive's automatic enrolment or re-enrolment date.

### 13. HOLIDAY AND OTHER LEAVE

- 13.1 Subject to **Clauses 13.2** to **13.5** the Executive will be entitled to the number of working days' holiday specified in **The Schedule** (in addition to normal public holidays) in each holiday year to be taken at such time or times as may be approved in advance by the Board.
- 13.2 Should the Executive be absent from work for any period of one month or more due to illness or incapacity, holiday entitlement in excess of the statutory minimum will not accrue.
- 13.3 Subject to **Clauses 13.4** and **13.5**, in each holiday year the Executive will be expected to take at least the holiday to which they are entitled under the WTR. The Executive is not entitled to carry forward any holiday save in the circumstances set out in **Clause 13.4**.
- At the discretion of the Board, and subject to any lawful conditions the Board may impose, the Executive may carry forward up to four weeks' holiday entitlement to the following holiday year in the event they are unable, due to illness or incapacity, to take at least four weeks' holiday entitlement in the year in which it accrues. However, any unused holiday entitlement carried forward in this way will lapse if it remains untaken 15 months after the end of the holiday year in which it is accrued. For the avoidance of doubt, any paid holiday actually taken in any leave year will be deemed to have been the Executive's four week statutory holiday entitlement.

	exercising its rights under <b>Clause 20.2</b> .
	in excess of the statutory minimum shall not accrue during any period of garden leave arising on the Company
	the Executive to take any accrued but untaken holiday entitlement during their notice period. Holiday entitlement
	commences will be pro rata for each completed calendar month of service in that year. The Board may require
13.5	The Executive's entitlement to paid holiday in the holiday year in which their employment terminates or

13.6	Subject to Clause 13.7,	where the Executive	has taken	more or	less than	their holiday	entitlement	in the	year
	their employment termin	ates, a proportionate	adiustmen	t will be					

made by way of addition to or deduction from (as appropriate) their final gross pay calculated on a pro rata basis.

- 13.7 If the Company terminates the Executive's employment immediately by summary notice in writing pursuant to **Clause 20.1** of this Agreement or if the Executive has terminated their employment in breach of this Agreement any payment due to the Executive under **Clause 13.6** as a result of untaken holiday will be limited to the Executive's statutory holiday entitlement only. Re-imbursement of excess holiday taken by the Executive shall be recoverable from the Executive in full at the rate at which it was paid to them.
- 13.8 Details of any additional paid leave provided by the Company (other than to sickness leave under **Clause 14**) and the terms under which this operates is available from Human Resources Department.

### 14. INCAPACITY AND SICK PAY

- 14.1 If the Executive is absent from their duties as a result of illness or injury they will notify the Company as soon as possible and complete any self-certification forms which are required by the Company. If the incapacity continues for a period of seven days or more they will produce to the Company a medical certificate to cover the duration of such absence.
- Subject to the rest of this **Clause 14** and subject to the receipt of the appropriate certificates in accordance with **Clause 14.1**, if the Executive is absent from their duties as a result of illness or injury they will be entitled to be paid at the rate and for the period specified in **The Schedule** in any period of 12 months (whether the absence is intermittent or continuous) subject to deduction of any statutory sick pay received by the Executive. Once the Executive has exhausted their entitlement to sick pay in any 12 month period, they will not be entitled to any further payment of sick pay after this period until they have returned to work and had no further absences for a period of 12 months. Any payment made in excess of statutory entitlement is paid entirely at the discretion of the Company. The Executive will not be entitled to any payment other than statutory sick pay during any current disciplinary investigation or proceedings.
- 14.3 Without prejudice to the Company's right to terminate this Agreement pursuant to **Clause 20.1** the Company reserves the right to terminate this Agreement notwithstanding any right the Executive might have to participate in any permanent health insurance scheme referred to in **Clause 10.1.3** or to receive sick pay or other benefits.
- 14.4 Whether or not the Executive is absent by reason of sickness, injury or other incapacity the Executive will, at the request of the Board, agree to have a medical examination performed by a doctor appointed and paid for by the Company. The Executive will be expected to authorise the Board to have unconditional access to any report or reports (including copies) produced as a result of any such examination as the Board may from time to time require to enable it to assess the Executive's ability to work and any reasonable adjustments it may be obliged or willing to consider. Entitlement to sick pay in excess of statutory sick pay pursuant to **Clause 14.2** may be affected adversely if the Executive fails to comply with the terms of this clause.

# 15. **CONFLICT OF INTEREST**

15.1 The Executive will disclose promptly to the Board in writing all their interests in any business other than that of the Company and the Group and any interests of their spouse, partner or children to the extent these might in

the reasonable view of the Company compete or interfere with the performance of the Duties and will notify the Board immediately of any change in their external interests.

15.2 Except with the written consent of the Board the Executive will not during their employment under this Agreement be directly or indirectly engaged, concerned whether as principal, servant or agent (on their own behalf or on behalf of or in association with any other person) in any other trade, business or occupation other than the business of the Company or any Group Company. This clause will not prevent the Executive from being interested, for investment purposes only, as a member, debenture holder or beneficial

owner of any stock, shares or debentures which are listed or dealt in on a Recognised Investment Exchange and which do not represent more than 4% of the total share or loan capital from time to time in issue in such company.

- During their employment with the Company, the Executive will not obtain or seek to obtain, or permit any other person to obtain or seek to obtain, any financial or other competitive advantage (direct or indirect) from the disclosure, downloading, uploading, copying, transmittal, removal or destruction of information acquired by them in the course of their employment, whether or not that information is Confidential Information.
- During the term of this Agreement the Executive shall not make (other than for the benefit of the Company or any Group Company) any statement or record in whatsoever medium relating to any matter within the scope of the business of the Company or any Group Company or use such record or allow it/them to be used other than for the benefit of the Company or any Group Company.

### 16. **RESTRICTIVE COVENANTS**

- 16.1 It is hereby agreed, acknowledged and understood that:-
  - 16.1.1 these covenants are agreed with the Company acting on its own behalf and for and on behalf of any and all other Relevant Group Companies;
  - the Company shall be at liberty to enforce these covenants on its own behalf and/or for and on behalf of any other Relevant Group Company (whether in respect of actual or anticipated damage to itself or to any other Relevant Group Company);
  - 16.1.3 notwithstanding the termination of this Agreement (howsoever arising), these covenants will remain in full force and effect;
  - 16.1.4 damages are unlikely to be an adequate remedy for a breach of these restrictive covenants and (without prejudice to the Company's right to seek damages) injunctive relief will be an appropriate and necessary remedy in the event of an actual or anticipated breach of these restrictions;
  - 16.1.5 the Company shall be at liberty to seek and recover damages occasioned as a result of a breach of these restrictive covenants, whether in respect of losses that are suffered by itself and/or by any other Relevant Group Company (and in the event that the Company recovers damages for losses suffered by any other Relevant Group Company, it shall account to that Group Company for any such damages);
  - at the request of the Company the Executive will enter into a direct agreement or undertaking with any other Group Company whereby the Executive will accept restrictions and provisions corresponding to the restrictions and provisions in this **Clause 16** and in **Clause 17** (or such of them as may be appropriate in the circumstances).
- 16.2 The Executive will not without the prior written consent of the Company or, where appropriate, Relevant Group Company, directly or indirectly and whether alone or in conjunction with or on behalf of any other person and whether as a principal, director, employee, agent, consultant, partner or otherwise:

16.2.1	for a period of 12 months from the Termination Date so as to compete (or to compete in the future)
	with the Company or any Relevant Group Company:

16.2.1.1	induce, solicit or entice away (or endeavour to induce solicit or entice away) from the
	Company or any Relevant Group Company, the business or custom of any Relevant
	Customer for the supply or provision of the Products or Services;

- supply or provide any Products or Services to any Relevant Customer (or endeavour to do so);
- do or attempt to do anything which causes or may cause a Relevant Customer to cease or reduce materially its orders or contracts or intended orders or contracts with the Company or Relevant Group Company or alter its terms of business with and to the detriment of the Company and/or Relevant Group Company;
- do or attempt to do anything which causes or may cause any Relevant Supplier or potential Relevant Supplier to cease, alter or reduce materially its supplies to the Company or any Group Company or alter its terms of business with and to the detriment of the Company and/or Group Company;
- in connection with any business in, or proposing to be in, competition with the Company, or any other Group Company employ, engage or appoint or in any way cause to be employed, engaged or appointed a Critical Person, whether or not such person would commit any breach of their contract of employment or engagement by leaving the service of the Company or any other Group Company;
- 16.2.2 within the Restricted Territory for a period of 12 months from the Termination Date be employed, engaged, concerned or provide technical, commercial or professional advice to any other business (whether conducted on its own or as part of a wider entity) which supplies or provides (or intends to supply or provide or is otherwise taking steps preparatory to supplying or providing) the Products or Services in direct or indirect competition with those parts of the business of the Company or any Relevant Group Company in respect of which the Executive was materially engaged or involved, or for which they were responsible, or in respect of which they were in possession of Confidential Information during the Relevant Period.
- 16.2.3 use or seek to register, in connection with any business, any name, internet domain name (URL), social media account or other device which includes the name or device of the Company or any Group Company, any identical or similar sign or any sign or name previously used by the Company or any Group Company or at any time after the Termination Date represent themself as connected with the Company or any Group Company in any capacity.
- 16.3 None of the restrictions set out in **Clause 16.2** shall apply to prevent the Executive from being interested, for investment purposes only, in any business, whether as a member, debenture holder or beneficial owner of any stock, shares or debentures listed or dealt in on a Recognised Investment Exchange and which do not represent more than 4% of the total share or loan capital from time to time in issue in such company.
- 16.4 Whilst the restrictions in this **Clause 16** (on which the Executive hereby acknowledges they have had an opportunity to take independent legal advice) are regarded by the parties as fair and reasonable, each of the restrictions in this **Clause 16** is intended to be separate and severable. If any restriction is held to be void but would be valid if part of the wording (including in particular, but without limitation, the definitions contained in **Clause 1**) were deleted, such restriction will apply with so much of the wording deleted as may be necessary to make it valid or effective.

16.5	The parties agree that the periods referred to in <b>Clauses 16.2.1</b> to <b>16.2.2</b> above will be reduced by one day
	for every day during which at the Company's direction and pursuant to Clause 20.2 below the Executive has
	been excluded from the Company's premises and/or has been required not to carry out any duties or to carry out
	duties other than their normal duties.

16.6	The Company has entered into this Agreement as agent for and trustee of each Relevant Group Company and
	each Group Company respectively.

### 17. **CONFIDENTIALITY**

The Executive acknowledges that in the course of their employment they will be exposed and have access to Confidential Information. The Executive has therefore agreed to accept the restrictions set out in this Clause 17.

- 17.1 The Executive will not either during their employment (including without limitation any period of absence or of exclusion pursuant to **Clause 20.2**) or after its termination (without limit in time) disclose, make use of, or encourage or permit the use of any Confidential Information for any purposes other than those of the Company and for the benefit of the Company or any Group Company.
- 17.2 All documents, manuals, hardware and software provided by the Company or any Group Company for the Executive's use and any data or documents (including copies) produced, maintained or stored on the Company's computer systems or other electronic equipment (including mobile telephones or devices) remain the property of the Company or Group Company, as applicable.
- 17.3 The Executive shall be responsible for protecting the confidentiality of the Confidential Information and shall:
  - 17.3.1 use his best endeavours to prevent the use, disclosure or communication of any Confidential Information by any person, company or organisation; and
  - 17.3.2 inform the Board immediately on becoming aware, or suspecting, that any such person, firm or company or organisation knows or has used any Confidential Information.
- 17.4 The restrictions contained in this clause do not apply to any disclosure by the Executive:
  - 17.4.1 which amounts to a protected disclosure within the meaning of section 43A of the ERA and/or policy on disclosure operated by the Company from time to time;
  - 17.4.2 in order to report an offence to a law enforcement agency or to co-operate with a criminal investigation or prosecution;
  - 17.4.3 for the purposes of reporting misconduct, or a serious breach of regulatory requirements to any body responsible for supervising or regulating the matters in question;
  - 17.4.4 for the purposes of reporting an allegation of discrimination or harassment at work in accordance with the Company's policy or to the Equality and Human Rights Commission;
  - authorised by the Board or required in the ordinary and proper course of the Executive's employment or required by the order of a court of competent jurisdiction or by an appropriate regulatory authority;
  - 17.4.6 any information which the Executive can demonstrate was known to the Executive prior to the commencement of their employment by the Company or is in the public domain otherwise than as a result of a breach by the Executive of this clause or any other duties and obligations owed to the Company or any Group Company; or

- 17.4.7 or as otherwise required by law.
- 17.5 The provisions of this **Clause 17** are without prejudice to the duties and obligations of the Executive which exist at common law or in equity.
- 17.6 The provisions of this **Clause 17** shall survive any termination of this Agreement and shall remain in force in relation to any item of Confidential Information for so long as it is still properly regarded by the Company and any Group Company as being confidential.

### 18. INTELLECTUAL PROPERTY RIGHTS

- 18.1 The Executive acknowledges that all Employment IPRs and all materials embodying and recording them will automatically belong to the Company to the fullest extent permitted by law. If such Employment IPRs and all materials embodying and recording them do not automatically vest in the Company or a Relevant Group Company, the Executive hereby assigns (including by way of present assignment of future rights) to the Company all such rights with full title guarantee. To the extent that such an assignment is not permitted or is unenforceable by the operation of law the Executive holds them on trust for the Company or Relevant Group Company.
- 18.2 The Executive acknowledges that, because of the nature of their duties and the particular responsibilities arising from the nature of those duties, they have, and shall have at all times while employed by the Company, a special obligation to further the Company's interests.
- To the extent that legal title in any other Intellectual Property Rights do not vest in the Company or Relevant Group Company by virtue of **Clause 18.1**, the Executive hereby agrees immediately upon creation of such rights and inventions to offer to the Company or Relevant Group Company in writing a right of first refusal to acquire them on arm's length terms to be agreed between the parties. If the parties cannot agree on such terms within 30 days of the Company or Relevant Group Company receiving the offer, the Company or Relevant Group Company will refer the dispute to an arbitrator who will be appointed by the President of Chartered Institute of Patent Attorneys. The arbitrator's decisions will be final and binding on the parties and the costs of arbitration will be borne equally by the parties. The Executive agrees to keep such Intellectual Property Rights offered to the Company or any Relevant Group Company under this **Clause 18.3** confidential until such time as the Company or Relevant Group Company has agreed in writing that the Executive may offer them for sale to a third party.

# 18.4 The Executive agrees:

- 18.4.1 to give the Company full written details of all Employment IPRs which relate to or are capable of being used in the business of the Company or any Group Company promptly on their creation;
- 18.4.2 at the Company's request or that of any Group Company and in any event on the termination of their employment to give to the Company or any Relevant Group Company all originals and copies of correspondence, documents, papers and records on all media which record or relate to any of the Employment IPRs;
- 18.4.3 not to attempt to register any Employment IPRs unless requested to do so by the Company or any Relevant Group Company; and
- 18.4.4 to keep confidential all Employment IPRs unless the Company or any Relevant Group Company has consented in writing to its disclosure by the Executive.
- 18.5 The Executive waives all their present and future moral rights which arise under the Copyright Designs and Patents Act 1988 and all similar rights in other jurisdictions relating to any copyright which forms part of the Employment IPRs and agrees not to support, maintain nor permit any claim for infringement of moral rights in such copyright works.

18.6	The Executive acknowledges that, except as provided by law, no further remuneration or compensation other
	than that provided for in this Agreement is or may become due to the Executive in respect of their compliance
	with this clause. This clause is without prejudice to the Executive's rights under the Patents Act 1977.

18.7 The Executive undertakes to execute all documents and do all acts both during and after their employment by the Company or any Group Company as may in the opinion of the Company be necessary or desirable to vest the Employment IPRs in the Company or any Relevant Group Company, to register them in the name of the Company or any Relevant Group Company where appropriate throughout the world and for the full term of those

rights and to protect and maintain the Employment IPRs. Such documents may, at the Company's request, include waivers of all and any statutory moral rights relating to any copyright works which form part of the Employment IPRs. The Company agrees to reimburse or procure the reimbursement of the Executive's reasonable expenses of complying with this **Clause 18.7**.

- 18.8 The Executive agrees to give all necessary assistance to the Company or any Group Company at the Company's or any Relevant Group Company's reasonable expense to enable it/them to enforce its/their Intellectual Property Rights against third parties and to defend claims for infringement of third party Intellectual Property Rights.
- 18.9 The Executive irrevocably appoints the Company to be their attorney in their name and on their behalf to execute documents, use their name and do all things which are necessary or desirable for the Company to obtain for itself or its nominee the full benefit of this clause. A certificate in writing, signed by any director or the secretary of the Company, that any instrument or act falls within the authority conferred by this Agreement shall be conclusive evidence that such is the case so far as any third party is concerned.

### 19. RETURN OF COMPANY PROPERTY

- 19.1 On request by the Company and in any event on termination of their employment or on commencement of any period of exclusion pursuant to **Clause 20.2** the Executive will:
  - deliver up immediately to the Company all property (including but not limited to documents and software, credit cards, mobile telephone, computer equipment, all computer disks, memory cards, social media or website passwords, keys and security passes and any Confidential Information) belonging to it or any Group Company or being relevant or connected to the Duties which is or are in the Executive's possession or under their control, at the Company's discretion being required to provide evidence of having done so. Documents and software include (but are not limited to) correspondence, diaries, address books, databases, files, reports, minutes, plans, records, documentation or any other medium for storing information. The Executive's obligations under this clause include the return of all copies, drafts, reproductions, notes, extracts or summaries (however stored or made) of all documents and software, and any data stored on external sites such as contacts on social media;
  - 19.1.2 provide access (including passwords) to any computer (or other equipment or software) in his possession or under his control which contains information relating to the Company or any Group Company. The Executive also agrees that the Company is entitled to inspect, copy and/or remove any such information from any such computer, equipment or software owned by the Executive or under his control and the Executive agrees to allow the Company reasonable access to the same for these purposes;
  - 19.1.3 provide a signed statement confirming their compliance with this **Clause 19**;
  - 19.1.4 transfer without payment to the Company or as it may direct any shares or other securities held by them in the Company or any Group Company as trustee and deliver to the Company the related certificates,

and the Executive hereby irrevocably authorises the Company to appoint a person or persons to execute all necessary transfer forms and other documentation on their behalf in connection with the above.

19.2 The obligations set out in **Clause 19.1** shall not be affected by the fact that any document or software covered by this clause may include information or data personal to the Executive or may be held on mobile devices belonging personally to the Executive where such devices are used to any extent in respect of the Executive's work. In such circumstances it shall be the responsibility of the Executive when returning such property to bring such issues to the attention of the Company which shall then make arrangements for the proper and lawful disposal of such information or data.

### 20. TERMINATION AND GARDEN LEAVE

- 20.1 Without prejudice to any other rights the Company or any Group Company may have, the Company may terminate the Executive's employment immediately by summary notice in writing without notice and with no liability to make further payment to the Executive or may accept any breach of this Agreement by the Executive as having brought this Agreement to an end (notwithstanding that the Company may have allowed any time to elapse or on a former occasion may have waived its rights under this clause) if the Executive:
  - 20.1.1 commits, repeats or continues any breach of this Agreement or their obligations under it including any material or persistent breach of their fiduciary duties or any provision of the Companies Act 2006 or similar legislation or any regulation made thereunder;
  - 20.1.2 in the performance of the Duties or otherwise commits any act of gross misconduct or serious/ gross incompetence or negligence or seriously or persistently breaches the Company's policies and procedures;
  - 20.1.3 acts in a manner which prejudices or is likely in the opinion of the Board to prejudice the interests or reputation of the Executive, the Company or any Group Company;
  - 20.1.4 has committed, is charged with or is convicted of any criminal offence other than an offence which does not in the reasonable opinion of the Board affect their position under this Agreement;
  - 20.1.5 is declared bankrupt or enters into or makes any arrangement or composition with or for the benefit of their creditors generally or has a County Court administration order made against them under the County Court Act 1984;
  - 20.1.6 is prohibited by law from being a director of a company or ceases to be a director of the Company or any Group Company without the prior consent or agreement of the Board;
  - 20.1.7 is removed as a director of the Company or any Group Company;
  - 20.1.8 commits any act of fraud, dishonesty, corrupt practice, a breach of his obligations under Clause
     3.1.11 or a breach of the Bribery Act 2010 relating to the Company or any Group Company, any of its or their employees, customers, suppliers or otherwise; or
  - 20.1.9 is convicted of an offence under any statutory enactment or regulation relating to bribery or insider dealing;
  - 20.1.10 is guilty of any deliberate abuse or misuse of the personal data of any employee, worker, consultant or actual or prospective customer, client or supplier of the Company or any Group Company;
  - 20.1.11 commits any serious or material breach of any regulatory rules applicable to his employment with the Company;

20.1.12	commits any serious breach of the requirements, rules or regulations as amended from time to time
	of any regulatory authority relevant to the Company or any Group Company and any code of practice
	issued by the Company relating to dealing in the securities of the Company or any Group Company;

20.1.13	is in breach of any of the warranties set out at Clause 26.5 of this Agreement, regardless of whether
	criminal or other sanctions are imposed where relevant; or

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- 20.1.14 becomes incapacitated from performing all or any of the Duties by illness or injury (physical or mental) for a period exceeding (in total) 26 weeks (or such longer period as the Company may agree) in any rolling period of 12 months whether or not the Executive's entitlement to Company sick pay under **Clause 14.2** has been exhausted and whether or not the Executive has any actual or anticipated benefit of permanent health insurance referred to in **Clause 10.1.3** or otherwise and provided such termination would not prejudice or limit the Executive's rights or prospective rights under any permanent health insurance scheme referred to in **Clause 10.1.3**.
- 20.2 Without prejudice to **Clause 21.1**, after notice of termination has been given by either party pursuant to **Clause 2.6.2**, or if the Executive seeks to or indicates an intention to resign as a director of the Company or any Group Company or terminate their employment without notice, provided that the Executive continues to be paid and enjoys their contractual benefits until their employment terminates in accordance with the terms of this Agreement, the Board may in its absolute discretion without breaching the terms of this Agreement or giving rise to any claim against the Company or any Group Company for all or part of the notice period required under **Clause 2.6.2**:
  - 20.2.1 exclude the Executive from the premises of the Company and/or any Group Company;
  - 20.2.2 return to the Company all documents, laptop computers, Blackberry devices, mobile telephones, iPhones or similar devices and other property (including summaries, extracts or copies) belonging to the Company or any Group Company or to its or their clients or customers;
  - 20.2.3 require the Executive to carry out exceptional duties or special projects outside the scope of your normal duties or to carry out no duties;
  - 20.2.4 announce to employees, suppliers and customers that the Executive has been given notice of termination or has indicated an intention to resign (as the case may be);
  - 20.2.5 instruct the Executive not to directly or indirectly communicate with suppliers, customers, distributors officers, employees, shareholders, agents or representatives of the Company or any Group Company;
  - 20.2.6 cease to give the Executive access to its computer systems or social media.
- 20.3 For the avoidance of doubt, the Executive's duties and obligations under **Clauses 3**, **15**, **16**, **17** and **18** and those to be implied into this Agreement at common law continue to apply during any period of exclusion pursuant to this clause.
- During any period of exclusion pursuant to **Clause 20.2** the Executive will not be entitled to accrue or receive any bonus or holiday other than their entitlement under the WTR referred to in **Clause 13**. Any untaken holiday entitlement accrued or likely to accrue up to the Termination Date should be taken during the period of exclusion. The Executive agrees to notify the Company of any day or days during the exclusion period when they will be unavailable due to holiday and will endeavour to agree convenient holiday dates in advance with the Board.
- 20.5 Before and after termination of the Executive's employment, the Executive will provide the Company and/or any Group Company or its or their agents with any assistance it or they may request in connection with any proceedings or possible proceedings, including any internal investigation or administrative, regulatory or judicial

investigation, inquiry or proceedings, in which the Company and/or Group Company is or may be involved. The Company will reimburse the Executive their reasonable expenses incurred in fulfilling their obligations under this clause. However, the Executive shall not be entitled to any other payment or remuneration in consideration of their assistance.

20.6 Immediately following termination of their employment, the Executive shall delete all Connections and, having done so, amend their profiles on any social media accounts to

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show that they are no longer employed by the Company, providing appropriate proof of having done so to the Company.

### 21. **PAYMENT IN LIEU OF NOTICE**

- 21.1 Without prejudice to **Clauses 21.5**, **20.1** and **20.2**, at its absolute discretion the Company may terminate this Agreement and the Executive's employment with immediate effect at any time by giving the Executive written notice and paying them basic salary at the rate applicable at the Termination Date (less PAYE deductions) in lieu of the notice period referred to in **Clause 2.6.2** or remainder of the notice period if at the Company's request the Executive has worked (or been excluded pursuant to **Clause 20.2**) during part of the notice period.
- The Company reserves the right to pay any sums due under **Clause 21.1** in equal monthly instalments during what would have been the unexpired portion of the Executive's contractual notice period. Notwithstanding that a termination of his employment in accordance with **Clause 21.1** is not a breach of this Agreement, the Executive agrees that following such notification as is referred to in **Clause 21.1** he will be under a duty to take reasonable steps, subject always to his obligations under **Clause 16** above, to mitigate any consequential losses by seeking an alternative remunerative position, whether as employee, director, self-employed consultant or shareholder, and to notify the Company in writing as soon as any such position is accepted, of when it is due to commence and the financial terms applicable to it. If the Executive obtains an alternative position during this period any sums due to the Executive under **Clause 21.1** will be reduced or extinguished accordingly.
- 21.3 If the Company terminates the Executive's employment without the written notification referred to in **Clause**21.1, then the Executive will have no contractual entitlement to the pay in lieu of notice referred to in that clause.
- 21.4 For the avoidance of doubt, if the Company exercises its right under **Clause 21.1**:
  - 21.4.1 the Executive's employment will terminate on the date specified in the notice given by the Company pursuant to **Clause 21.1**;
  - 21.4.2 any payment in lieu of salary pursuant to this clause will not include pay in respect of bonus, commission, holiday or other benefits which would otherwise have accrued or been payable during the period to which the payment in lieu of salary relates.
- 21.5 The Executive shall not be entitled to any payment in lieu of notice pursuant to this clause or otherwise if the Company would be entitled to terminate their employment without notice (whether in accordance with **Clause 20.1** or otherwise). In the event that any payment in lieu of notice is made in such circumstances, the Executive agrees that the Company may immediately require the same to be repaid as a debt.

### 22. **DUTY TO NOTIFY OF NEW EMPLOYMENT**

22.1 In order to enable the Company to protect its legitimate interests and to enforce its rights under this Agreement, the Executive agrees that during their employment they will notify the Company in writing of the identity of any prospective employer or business from which they have received an offer to be employed, engaged, concerned or interested or to which they wish to provide technical, commercial or professional advice where, in the reasonable belief of the Executive, becoming so employed, engaged, concerned or interested or providing such advice would

be likely to breach the provisions of **Clause 16**, prior to accepting such employment and of the date on which the Executive proposes to start their employment, engagement, concern, interest or the provision of advice. The Company will determine whether such proposed activity is in breach of this Agreement. The Executive will additionally provide the Company with all information it reasonably requests to make this determination. The Executive will not accept the offer of employment or engagement until having been advised by the Company of its determination which the Company agrees to do within a reasonable time, which will usually be 28 business days.

- If the Executive applies for or is offered a new employment, appointment or engagement, before entering into any related contract the Executive will bring the terms of this clause and **Clauses 2**, **16**, **18** and **20.2** to the attention of a third party proposing their direct or indirect employment, appointment or engagement.
- 22.3 The Company shall be entitled to disclose the terms of this Agreement and Executive's Confidential information Protection Agreement to any third party with or by whom the Executive is employed, engaged or otherwise interested or connected (as is appropriate) in order to protect the interests of the Company and/or any Group Company.

### 23. **RESIGNATION AS DIRECTOR**

- 23.1 The Executive will on termination of their employment for any reason, or on commencement of any period of exclusion pursuant to **Clause 20.2** at the request of the Board, give notice resigning immediately without claim for compensation (but without prejudice to any claim they may have for damages for breach of this Agreement):
  - 23.1.1 as a director of the Company and of any Group Company; and
  - 23.1.2 all trusteeships held by the Executive of any pension scheme or other trusts established by the Company or any Group Company or any other company with which the Executive has had dealings as a consequence of their employment with the Company.
- 23.2 If notice pursuant to **Clause 23.1** is not received by the relevant company within forty eight hours of the Termination Date or a request by the Board, the Company (or such Group Company as may be applicable) is irrevocably authorised to appoint a person to execute any documents and to do everything necessary to effect such resignation or resignations on the Executive's behalf.
- 23.3 Except with the prior written agreement of the Board, the Executive will not during their employment under this Agreement resign their office as a director of the Company or any Group Company.
- 23.4 The Executive's appointment as a director of the Company or any Group Company will be subject to the Articles of Association from time to time of the Company or Group Company.

### 24. RIGHTS FOLLOWING TERMINATION

The termination of the Executive's employment under this Agreement will not affect any of the provisions of this Agreement which expressly operate or lawfully have effect after termination and will not prejudice any right of action already accrued to either party in respect of any breach of any terms of this Agreement by the other party (except in the case of termination by the Company pursuant to **Clause 21.1** in which case **Clause 21.1** will prevail in favour of the Company and the Group).

### 25. **DISCIPLINARY AND GRIEVANCE PROCEDURES**

The Company's disciplinary and grievance procedures are available from the Human Resources Department. The spirit and principles of these procedures apply to the Executive suitably adapted to reflect their seniority and status but these procedures are not incorporated by reference in this Agreement and therefore do not form any part of the Executive's contract of employment.

## 26. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the parties and excluding the CIPA which continues in full force and effect, supersedes any prior agreement or arrangement in respect of the employment relationship between the Company, XPO Logistics, Inc, and the Executive (and, in the case of the Group, the Company acts as agent for any Group Company), which agreement(s) or arrangement(s) (including without limitation the terms of the assignment letter dated 25 January 2021 between XPO Logistics, Inc. and the Executive), shall be deemed to have been terminated by mutual

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consent from the Commencement Date and in respect of which agreement(s) or arrangement(s) the Executive warrants that they have received all benefits and remuneration due to them.

- Neither party has entered into this Agreement in reliance upon, or shall have any remedy in respect of, any misrepresentation, representation or statement (whether made by the other party or any other person) which is not expressly set out in this Agreement.
- 26.3 The only remedies available for any misrepresentation or breach of any representation or statement which was made prior to entry into this Agreement and which is expressly set out in this Agreement will be for breach of contract.
- Nothing in this **Clause 26** shall be interpreted or construed as limiting or excluding the liability of either party for fraud or fraudulent misrepresentation.
- 26.5 The Executive acknowledges, warrants and undertakes that:
  - 26.5.1 by entering into this Agreement and fulfilling their obligations under it, they are not and will not be in breach of any obligation to any third party;
  - 26.5.2 they are not prevented by any agreement, arrangement, contract, understanding, court order or otherwise, from performing the Duties;
  - 26.5.3 they are entitled to work in the UK without any additional approvals and will notify the Company immediately if they cease to be so entitled during this Agreement or are prevented or restricted from holding office as director or fulfilling the duties of director;
  - 26.5.4 they will at all times comply fully with the Company's policies concerning anti-corruption and the Bribery Act 2010; data protection; information security; bullying and harassment; and use of Social Media and related procedures;
  - 26.5.5 in the event of any claim that they are in breach of any of the above warranties, they will indemnify the Company against any claims, costs, damages, liabilities or expenses which the Company may incur in respect of such claim; and
  - 26.5.6 they hold all necessary third party qualifications, permissions, authorisations and/or approvals to fulfil their obligations under this Agreement and shall notify the Company immediately if they cease to hold any such qualification, permission, authorisation or approval or become subject to any inquiry, investigation or proceedings that may lead to the loss of or restriction to such qualification, permission, authorisation or approval.
- 26.6 This Agreement may be executed in any number of counterparts, each of which will constitute an original, but which will together constitute one agreement.

### 27. THIRD PARTY RIGHTS

Except as expressly provided in this Agreement, a person who is not a party to this Agreement shall not have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

## 28. DATA PROTECTION

- 28.1 During the course of his employment, the Executive understands that the Company will need to hold, access or process his personal data. The Company will do so in accordance with its privacy notice a copy of which is accessible on the Company intranet. The Executive is required to sign and date the privacy notice and return it to the HR Manager.
- 28.2 The Executive will familiarise himself with and at all times adhere to the Company's Data Protection Policy. The Executive undertakes to take all reasonable steps to ensure that any Company information or personal data of any person which he accesses, holds or

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processes (including information regarding any Group Company) will not be available or disclosed to third parties and will be kept securely by him, particularly if such information is accessed by or accessible to him via a mobile device, such as a laptop, pda or mobile telephone. The Executive agrees and understands that a failure by him to meet the obligations of this clause may lead to disciplinary action up to and including dismissal in accordance with **Clause 20.1**.

28.3 The Executive acknowledges furthermore undertakes to immediately notify the Company if he becomes aware of any unauthorised disclosures of any confidential information relating or belonging to the Company or any Group Company or of personal data or any other breaches of the Company's Data Protection Policy

#### 29. **NOTICES**

- Any notice or other form of communication given under or in connection with this Agreement will be in writing in the English language and be handed personally to the Executive or sent to the Company's registered office or to the Executive's last known place of residence in the UK (as applicable), the latter being satisfied where:
  - 29.1.1 Sent to that party's address by pre-paid first class post, airmail post, or mail delivery service providing guaranteed next working day delivery and proof of delivery; or
  - 29.1.2 Delivered to or left at that party's address (other than by one of the methods identified in **Clause 29.1.1**).
- Any notice or communication given in accordance with **Clause 29.1.1** will be deemed to have been served 48 hours after posting but where it is given in accordance with **Clause 29.1.2** it is given at the time the notice or communication is delivered to or left at that party's address.
- 29.3 To prove service of a notice or communication it will be sufficient to prove that the provisions of **Clause 29.1** were complied with.
- 29.4 For the avoidance of doubt, notice of directors' meetings may be given in any manner permitted by the Company's Articles of Association and if sent to the Executive by e-mail (to the Executive's usual e-mail address), provided it is properly addressed, the notice shall be deemed received by the Executive immediately after it was sent.

## 30. **MISCELLANEOUS**

- 30.1 This Agreement will be governed by and interpreted in accordance with the law of England and Wales.
- 30.2 The courts of England and Wales have exclusive jurisdiction to determine any dispute arising out of or in connection with this Agreement.
- 30.3 Any delay by the Company in exercising any of its rights under this Agreement will not constitute a waiver of such rights.
- 30.4 There are no collective agreements which directly affect the Executive's terms and conditions of employment.

## THE SCHEDULE

### **Individual Terms**

### 1. Notice Period - Clause 2.6.2

Notice from the Company to the Executive - not less than 12 calendar months'

Notice from the Executive to the Company - not less than 12 calendar months'

### 2. **Salary - Clause 6.1**

£310,000. per annum

## 3. Car Allowance - Clause 9.1

£10,400 per annum

#### 4. Life Insurance - Clause 10.1.1

4 x salary.

#### 5. Private Medical Insurance - Clause 10.1.2

The Executive and their spouse/partner and all dependent children in full time education under the age of 21.

## 6. Holiday - Clause 13.1

25 days per annum

## 7. **Sick Pay – Clause 14.2**

Where the Executive has less than 52 weeks' continuous service on the first day of sickness absence – 13 weeks' full pay

Where the Executive has more than 52 weeks' continuous service on the first day of sickness absence – up to a maximum 26 weeks' full pay

EXECUTED as a deed by	)
XPO SUPPLY CHAIN UK	
LIMITED	)
acting by	)
a director and its company	
secretary	)
or two directors	)
	/s/ David Thomas
	Director
<b>EXECUTED</b> as a deed by	)
XPO SUPPLY CHAIN UK	
LIMITED	)
acting by one director in the presence of:	)
	Witness Name:
Witness signature:	/s/ Adam Parker
Name:	Adam Parker
Address:	XPO Logistics, XPO House, Lodge Way
	Northampton, NN5 7SL
Occupation:	VP HR UK&I
SIGNED as a deed by	)
/s/ Karlis P.	
Kirsis	)

in the presence or:	
Witness signature:	/s/ Robert Frost
Name:	Robert Adam Frost
Address:	18 Fournier St London E1 6QE
Occupation:	Business Owner



9 July 2021

## **Private & Confidential**

Re: Pension Top Up

Dear Karlis,

Welcome to the XPO family! For your reference, the company offers a pension arrangement in the UK, which is managed by Scottish Widows.

The maximum company contribution payable into the pension scheme is 7% of your basic annual salary.

However, in recognition of both your seniority within the business and market norm for senior executives, the company will provide a top up to your individual pension account of 4% of your basic annual salary.

To qualify to receive the full 11% from the company, your individual contribution must be a minimum of 8% of your basic salary.

The additional contribution will be processed as an individual supplement through payroll, and will be grossed up to offset/mitigate any tax impact which, in turn, needs to be paid into your pension plan in addition to your minimum contribution of 8%. Please see the example below:

EE Contribution	ER Top Up	Total EE Contribution	ER Contribution	Total
8%	4%	12%	7%	19%

This additional payment will be treated as a revision to your contractual entitlements.

To acknowledge acceptance of this enhancement, please sign and return one copy of this letter to the XPO House address noted below (to my attention).

If you have any queries in relation to this, please do not hesitate to contact me.

Yours sincerely,

Adam Parker
Vice President Human Resources UK & Ireland
Adam.Parker@xpo.com

Signed: /s/ Karlis P. Kirsis Date: July 13, 2021

## **SUPPLY CHAIN - UK AND IRELAND**

XPO House

Lodge Way, New Duston

Northampton,

NN5 7SL

Tel: 00 44 (0) 1604 737100

www.xpo.com

VAT Reg No. GB 581 3791 20

Supply Chain - UK and Ireland is a trading name of XPO Supply Chain UK Limited Registered Office: 16 Charlotte Square,

Edinburgh, EH2 4DF

Registered in Scotland: SC037270

Supply Chain - UK and Ireland is a trading name of Salvesen Logistics Limited (registered in England: 346268) and TDG (UK) Limited (registered in England: 540403)

Registered Office: XPO House, Lodge Way, New Duston, Northampton, NN5 7SL



XPO LOGISTICS EUROPE

115-123, avenue Charles de Gaulle

92200 Neuilly-sur -seine

xpo.com

## **Private & Confidential**

Karlis Kirsis 18 Fournier St London E1 6QE

> Neuilly-sur-Seine 9 July, 2021

## Ref: XPO Logistics Europe Offer Letter - Chief Legal Officer

Dear Karlis,

As you know, XPO is planning to spin-off 100% of its logistics segment ("GXO") as a separate publicly traded company (the "Spinoff"). Subject to and contingent on the occurrence of the Spinoff and your acceptance of this opportunity, you will hold the position of **Chief Legal Officer** of GXO as of the effective date of the Spinoff. If the Spinoff does not occur, you will remain in your existing role of Senior Vice President and European Chief Legal Officer, subject to your existing terms and conditions of employment with XPO Logistics, Inc. (the "Contract") and the terms of the assignment letter between XPO Logistics, Inc. and yourself dated 25 January 2021 (the "Assignment Letter"), and you will have no entitlement to receive any remuneration or benefits referred to in this letter or the attached Service Agreement.

This offer letter contains a summary of the key terms of such employment. The full terms of the offer are set forth in a service agreement between XPO Supply Chain UK Limited ("the Employer") and you (the "Service Agreement") (a copy of which is attached to this offer letter), the terms of which you agree to enter into in consideration of the benefits set out in this offer letter and which will supersede the terms of the Contract and the Assignment Letter. For the avoidance of doubt, if you do not return a signed copy of both this offer letter and the Service Agreement within seven days of the same being sent to you, then this offer and the terms of the Service Agreement will lapse except as otherwise mutually agreed between the parties.

The key terms of your offer are as follows ("Company" refers to GXO):

- Your initial **annual base salary (ABS)** will be **£310,000 per annum**, gross of any statutory deductions. Your base salary will be reviewed from time to time as part of the Employer's annual merit salary review process.
- Your position will initially be located in the Company's London office 8th Floor, Gridiron Building, One Pancras Square, London, N1C 4AG. You will be required to travel both within the United Kingdom and Ireland and other territories in which the Company operates.
- Details of your entitlement to termination notice will be included in your Service Agreement.

•	<b>Annual Incentive:</b> You will be eligible to participate in the Company's Annual Incentive Plan ("AIP"), subject to the terms and conditions of the AIP as may be in effect from time to time. Your target incentive will initially be 100% of your base salary. You will have the opportunity to earn 0% to 200% of your target incentive based on the aggregate level of
	achievement of the performance goals outlined in the applicable incentive plan.  Performance goals under the AIP will be determined annually by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") or its delegate in its sole
	Page <b>1</b> of <b>3</b>



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92200 Neuilly-sur -seine

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discretion. The Compensation Committee shall have discretion to amend such goals as it sees fit.

Your AIP award will not be pro-rated for the year in which the Spinoff takes place.

You have no contractual entitlement to an AIP award. The AIP is discretionary and may be modified or withdrawn at the Company's sole discretion.

- Confidential information Protection Agreement ("CIPA"): The terms of your existing CIPA with XPO dated 18 July, 2016 will remain in full force and effect notwithstanding: (i) the Spinoff; (ii) your entry into this offer letter; or (iii) your entry into the Service Agreement.
- Incentive Grant: Following your entry into this letter agreement, you will be awarded an initial long-term stock incentive award (the "Incentive Grant") which will be granted in the form of 20,000 stock options relating to XPO common stock and will vest in increments over five years following the grant date, subject to: (i) the occurrence of the Spinoff by March 31, 2022 and (ii) your continuous employment with the Company through the fifth anniversary of the grant date; if either of these vesting conditions is not satisfied, then any unvested portion of the Incentive Grant shall be forfeited. The Incentive Grant is contingent upon written approval of the same from the Compensation Committee or its delegate and will be subject to the applicable terms and conditions set forth in XPO's 2016 Omnibus Incentive Compensation Plan (the "Omnibus Plan") and the applicable award agreement. In connection with the Spinoff, it is expected that the Incentive Grant will be converted into an award relating to GXO common stock.
- Long-term Incentive: You will be eligible for a long-term incentive award for the 2021 performance year with a target value of \$350,000, 50% (\$175,000) of which will be awarded in performance-based restricted stock units and 50% (\$175,000) of which will be awarded in time-based restricted stock units, subject to the terms of and conditions set forth in the Omnibus Plan and the applicable award agreement. Any such award, including your eligibility for the same, will be contingent upon the approval of, and subject to the sole discretion of, the Compensation Committee or its delegate. If approved, these awards will be granted to you following the end of the 2021 performance year, subject to your continued employment on the applicable grant dates. For performance years after 2021, the grant date value of any annual long-term incentive awards to be granted to you will be determined by the Compensation Committee or its delegate, in its discretion.
- Your eligibility for, as well as the amount or components of payment of, any annual and/or long-term incentive awards will be reflective of your individual performance and contributions, the Company and/or business unit performance, as applicable, and the scope and expectations of your position/role in the Company and/or your business unit as determined by the Company or the Compensation Committee in its or their sole discretion. You expressly acknowledge and agree that any annual and long-term incentives are subject to change at the sole discretion of the Company

For the avoidance of any doubt, in the event that, as at the payment or vesting date in respect of all or any part of any incentive awarded to you in accordance with the terms of this letter, you are no longer employed by the Company, or you are otherwise under notice of termination of employment (excluding non-fault termination), you shall have no entitlement in respect of such award.



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- You will be eligible to participate in the Company car arrangements applicable to your grade at the Employer. As a
  reference, a car allowance is currently set at £863.33/month for your grade. Further details will be provided through
  your Service Agreement.
- You will be covered by the Company's personal **accident and travel insurance scheme**. These are insured benefits and are subject to restrictions imposed by the insurers.
- Other terms and conditions will be outlined in your Service Agreement (i.e., healthcare insurance for you and your family and pension arrangements).
- Your position with the Company and the terms of your employment may result in your inclusion in the Company's public filings with the Securities and Exchange Commission (SEC), in accordance with US regulatory requirements. Your inclusion in the Company's SEC filings could result in the public disclosure of your personal information including your employment terms and conditions and compensation arrangements, required compliance with additional insider trading regulations and regular filing of public disclosure documents related to your employment and compensation. Your acceptance of this offer acknowledges your understanding of and consent to these filings.
- In the event of any inconsistency between the terms of this offer letter and the terms and conditions of any compensation or incentive plan, rules, award, or other agreement referred to herein (together, "Plan Documents"), then the terms of the relevant Plan Documents will prevail. In the event of any inconsistency between the terms of this offer letter and the Service Agreement, then the terms of the Service Agreement will prevail.
- In connection with the commencement of your employment under the Service Agreement, you will be provided with a term sheet which will illustrate your potential compensation should the Spinoff proceed. The term sheet is for illustrative purposes only and will be subject to the terms of the Plan Documents and the Service Agreement, the terms of which shall prevail over the term sheet.

I am sending an electronic copy of this letter. Please sign and return a copy for acceptance.

I trust the above details outline the position satisfactorily. However, should you have any questions please do not hesitate to contact me. I look forward to receiving your signed acceptance.

Yours sincerely,

/s/ Josephine Berisha

## Josephine Berisha

Chief Human Resources Officer

On behalf of XPO Logistics Europe

I hereby accept the offer of employment as detailed in the above offer letter						
Signed:	/s/ Karlis P. Kirsis	Date	July 13, 2021			
	Karlis Kirsis					

**Entity** Location of Incorporation

GXO Logistics, Inc.

GXO Enterprise Services LLC

Delaware

XPO Logistics UK Limited United Kingdom

XPO Logistics Europe SA France
XPO Supply Chain International SAS France

XPO Logistics Services UK Limited United Kingdom

XPO Supply Chain UK Limited

XPO Supply Chain Netherlands BV

XPO Supply Chain Netherlands III

Netherlands

XPO Supply Chain Spain SLSpainXPO Supply Chain France SASFranceXPO Supply Chain Italy SPAItaly

GXO Logistics Finance, LLC

XPO Logistics Worldwide, LLC

GXO Logistics Worldwide, LLC

Delaware

XPO Logistics Supply Chain Holding Company, LLC

Delaware

XPO Logistics Supply Chain, Inc North Carolina

JHCI Holdings, Inc.

Delaware

JHCI Acqusitions, Inc. Delaware

Jacobson Warehouse Company, Inc. lowa

# **XPOLogistics**

July [ ], 2021

Dear XPO Logistics, Inc. Stockholder:

We previously announced plans to separate XPO Logistics, Inc. ("XPO") into two independent, publicly traded companies. The separation will occur through a distribution by XPO of all of the outstanding shares of a newly formed company named GXO Logistics, Inc. ("GXO"), consisting of XPO's existing logistics business. XPO will continue to be a publicly traded company after the separation and will consist of its existing transportation business.

The separation is expected to create two industry-leading, independent public companies with distinct investment identities and clearly delineated service offerings in vast end markets: GXO will be the largest pure-play contract logistics provider in the world, with one of the largest global e-commerce fulfillment platforms, and XPO will be a global provider of transportation services, primarily less-than-truckload transportation and truck brokerage.

Each company will have an independent corporate strategy and distinct profit drivers, and will be able to effectively allocate resources and manage its capital in line with its strategic priorities. The separation will create a separate equity currency for GXO, allowing each company to structure incentive compensation arrangements that are more closely aligned with the performance of its respective business. As separate entities, each company will be better positioned to pursue its own growth opportunities, including the increasing demand for outsourcing, digital transportation management and warehouse automation, as our customers demand faster, leaner, smarter supply chains to meet the expectations of their end-markets.

Upon completion of the distribution, each XPO stockholder as of July 23, 2021, the record date for the distribution, will receive one share of GXO common stock for every share of XPO common stock held as of the close of business on the record date. GXO common stock will be issued in book-entry form only, which means that no physical share certificates will be issued. For U.S. federal income tax purposes, the distribution is intended to be tax-free to XPO stockholders. No vote of XPO stockholders is required for the distribution. You do not need to take any action to receive shares of GXO to which you are entitled as an XPO stockholder, and you do not need to pay any consideration or surrender or exchange your XPO common stock, which will continue to trade on the New York Stock Exchange.

We encourage you to read the attached information statement, which is being provided to all XPO stockholders that held shares of XPO on the record date for the distribution. The information statement describes the planned distribution of GXO common stock in detail and contains important business and financial information about GXO. The included financial statements of GXO are prepared from XPO's historical accounting records and contain certain allocations of XPO's costs, and we encourage you to read them together with the pro forma financial information included in the attached information statement, which gives effect to the separation and reflects GXO's anticipated post-separation capital structure, including the assignment of certain assets and assumption of certain liabilities not included in the historical financial statements.

We believe that the separation will create new opportunities for both companies to realize significant growth, led by management teams with a demonstrated commitment to our investors, customers, employees and community. As an XPO shareholder, you've seen the benefit of this commitment first-hand through a decade of operational excellence and productive capital allocation. We look forward to the potential we expect will be unlocked by the spin-off — for XPO, for GXO and for you, as a stockholder of both companies.

Sincerely,	
]	1
Brad Jacobs	F
	Executive Officer
,	



July [ ], 2021

Dear Future GXO Logistics, Inc. Stockholder:

I'm excited to welcome you as a future stockholder of GXO Logistics, Inc. ("GXO"), a leader in cutting-edge logistics solutions for supply chains around the world. The planned separation of GXO from XPO is a compelling prospect for our company, and one that we believe will unlock value for all our stakeholders.

The opportunity we see in front of GXO is rooted in years of momentum as part of XPO, during which time our business benefited from significant investments in intelligent technology, customer service, talent and scale. As an independent public company, we can build on this strong positioning to capitalize on massive tailwinds in our industry: the secular growth in e-commerce and omnichannel retail, the rapidly increasing customer demand for digital capabilities, and the shift toward outsourcing logistics services. Moreover, as a separate company, we'll be able to deepen our focus on providing our broad base of customers with tailored solutions, including robotics and other advanced automation, visibility and control. By continuing to develop our proprietary technology, we'll continue to become increasingly nimble at managing our customers' supply chains, gaining ground as a trusted partner and advisor as we deliver additional value to those relationships.

Importantly for you as a stockholder, we'll be able to intensify our focus on our strategic priorities. We'll also have a simplified business structure, a capital structure tailored to our needs and a clearly delineated investment profile. Our standalone stock listing will create an independent equity currency we can use to structure employee incentive compensation arrangements that are more directly tied to our performance, enhance our ability to recruit talent globally and accomplish accretive acquisitions. We intend to continue to drive profitable growth in our business, capitalizing on substantial market opportunities in our large and fragmented industry, and to be an innovation leader. We expect to list GXO's common stock on the New York Stock Exchange under the symbol "GXO" when the separation is complete.

Our vision for the future is clear. We intend to continue to deliver superior value for our customers. We plan to ensure operational excellence led by top talent, invest in the profitable growth of our business and generate strong cash flows, providing excellent outcomes for our stockholders. For our employees, we'll build a purposeful culture as an independent, publicly traded company and engage our people in our vision.

We look forward to our future and to your support as a holder of GXO common stock.

Sincerely,	
[	
Malcolm Wilson	
Chief Executive Officer	•
GXO Logistics, Inc.	



Information contained herein is subject to completion or amendment. A Registration Statement on Form 10 relating to these securities has been filed with the U.S. Securities and Exchange Commission under the U.S. Securities Exchange Act of 1934, as amended.

Preliminary and Subject to Completion, Dated July 15, 2021

# INFORMATION STATEMENT GXO LOGISTICS, INC.

This information statement is being furnished in connection with the distribution by XPO Logistics, Inc. ("XPO") to its stockholders of the outstanding shares of common stock of GXO Logistics, Inc. ("GXO"), a wholly owned subsidiary of XPO that will hold the assets and liabilities associated with XPO's Logistics segment. To implement the separation, XPO currently plans to distribute all of the shares of GXO common stock on a pro rata basis to XPO stockholders in a distribution that is intended to be tax-free to XPO stockholders for U.S. federal income tax purposes.

For every share of common stock of XPO held of record by you as of the close of business on July 23, 2021, which is the record date for the distribution, you will receive one share of GXO common stock. As discussed under "The Separation and Distribution—Trading Between the Record Date and the Distribution Date," if you sell your shares of XPO common stock in the "regular-way" market after the record date up to the distribution date, you also will be selling your right to receive shares of GXO common stock in connection with the distribution. We expect the shares of GXO common stock to be distributed by XPO to you at 12:01 a.m., Eastern Time, on August 2, 2021. We refer to the date of the distribution of the GXO common stock as the "distribution date."

Until the distribution occurs, GXO will be a wholly owned subsidiary of XPO, and consequently, XPO will have the sole and absolute discretion to determine and change the terms of the separation (or to terminate the separation), including the establishment of the record date for the distribution and the distribution date.

No vote of XPO stockholders is required for the distribution. Therefore, you are not being asked for a proxy, and you are requested not to send XPO a proxy, in connection with the distribution. You do not need to pay any consideration, exchange or surrender your existing shares of XPO common stock or take any other action to receive your shares of GXO common stock.

There is no current trading market for GXO common stock, although we expect that a limited market, commonly known as a "when-issued" trading market, will develop on or shortly before the record date for the distribution, and we expect "regular-way" trading of GXO common stock to begin on the distribution date. GXO intends to list its common stock on the New York Stock Exchange (the "NYSE") under the symbol "GXO." Following the distribution, XPO will continue to trade on the NYSE under the symbol "XPO."

In reviewing this information statement, you should carefully consider the matters described in the section titled "Risk Factors" beginning on page 20.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this information statement is truthful or complete. Any representation to the contrary is a criminal offense.

This information statement does not constitute an offer to sell or the solicitation of an offer to buy any securities.

The date of this information statement is July [ ], 2021.

], 2021.

This information statement was first mailed to XPO stockholders on or about July [

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## **Presentation of Information**

Unless the context otherwise requires or otherwise specifies:

- The information included in this information statement about GXO, including the Combined Financial Statements of GXO, assumes the completion of all of the transactions referred to in this information statement in connection with the separation and distribution.
- Except as otherwise specified herein, references in this information statement to "GXO," "we," "us," "our," "our company" and "the company" refer to GXO Logistics, Inc., a Delaware corporation, and its combined subsidiaries.

- References in this information statement to "XPO" refer to XPO Logistics, Inc., a Delaware corporation, and its combined subsidiaries, including XPO's Logistics segment prior to completion of the separation and the distribution and excluding XPO's Logistics segment following completion of the separation and the distribution.
- References in this information statement to the "GXO Businesses" refer to XPO's Logistics segment.
- References in this information statement to the "separation" refer to the separation of the GXO Businesses from XPO's other businesses and the creation, as a result of the distribution, of an independent, publicly traded company, GXO, to hold the assets and liabilities associated with the GXO Businesses after the distribution.
- References in this information statement to the "distribution" refer to the pro rata distribution of all of GXO's issued and outstanding shares of common stock to XPO stockholders as of the close of business on the record date for the distribution.

- References in this information statement to GXO's per share data assume a distribution ratio of one share of GXO common stock for every share of XPO common stock.
- References in this information statement to GXO's historical assets, liabilities, products, businesses or activities generally refer to the historical assets, liabilities, products, businesses or activities of the GXO Businesses as the businesses were conducted as part of XPO prior to the completion of the separation.

## **Industry and Market Information**

Unless indicated otherwise, the information concerning the industries and markets in which GXO participates contained in this information statement is based on GXO's general knowledge of and expectations concerning the industry. The market positions, shares, market sizes and growth estimates included in this information statement are based on estimates using GXO's internal data and estimates, based on data from various industry analyses, our internal research and adjustments and assumptions that we believe to be reasonable. GXO has not independently verified data from industry analyses and cannot guarantee their accuracy or completeness. In addition, GXO believes that data regarding the industry, market positions, shares, market sizes and growth estimates provide general guidance but are inherently imprecise. Further, GXO's estimates and assumptions involve risks and uncertainties and are subject to change based on various factors, including those discussed in the "Risk Factors" section. These and other factors could cause results to differ materially from those expressed in the estimates and assumptions. Accordingly, investors should not place undue reliance on this information.

#### INFORMATION STATEMENT SUMMARY

The following is a summary of selected information discussed in this information statement. This summary may not contain all of the details concerning the separation, the distribution or other information that may be important to you. To better understand the separation, the distribution and our business and financial position, you should carefully review this entire information statement. Unless the context otherwise requires, the information included in this information statement about GXO, including the Combined Financial Statements of GXO, assumes the completion of all of the transactions referred to in this information statement in connection with the separation and distribution. Unless the context otherwise requires, or when otherwise specified, references in this information statement to "GXO," "we," "us," "our," "our company" and "the company" refer to GXO Logistics, Inc., a Delaware corporation, and its subsidiaries. Unless the context otherwise requires, references in this information statement to "XPO" refer to XPO Logistics, Inc., a Delaware corporation, and its combined subsidiaries, including the GXO Businesses prior to completion of the separation and distribution and excluding the GXO Businesses following the completion of the separation and distribution.

Unless the context otherwise requires, or when otherwise specified, references in this information statement to our historical assets, liabilities, products, businesses or activities of our businesses are generally intended to refer to the historical assets, liabilities, products, businesses or activities of the GXO Businesses as they were conducted as part of XPO prior to completion of the separation and distribution.

### **Our Company**

GXO is the largest pure-play contract logistics provider in the world, and a foremost innovator in an industry propelled by strong secular tailwinds. Our total potential addressable market across North America and Europe is approximately \$430 billion, including the \$130 billion of logistics spend that is currently outsourced and the opportunity for another \$300 billion of spend that is currently insourced.

Our revenue is diversified across numerous verticals and customers, including many multinational corporations. We provide our customers with high-value-add warehousing and distribution, order fulfillment, e-commerce and reverse logistics, and other supply chain services differentiated by our ability to deliver technology-enabled, customized solutions at scale. We have one of the largest platforms for outsourced e-commerce logistics globally, including the largest e-fulfillment platform in Europe.

Our customers rely on us to move their goods with high efficiency through their supply chains — from the moment inbound goods arrive at our logistics sites, through fulfillment and distribution and, in a growing number of cases, the management of returned products. Our customer base includes blue-chip leaders in attractive sectors that demonstrate high growth or durable demand over time.

In 2020, we generated \$6.2 billion of revenue. See "Summary Historical and Pro Forma Combined Financial Data" for additional information. As of March 31, 2021, we operated with approximately 93,000 team members

(comprised of approximately 66,000 full-time and part-time employees and 27,000 temporary workers engaged through third-party agencies) and had 885 facilities worldwide, with 210 million square feet (20 million square meters) of logistics warehouse space. Approximately 104 million square feet (10 million square meters) was located in Europe; 99 million square feet (9 million square meters) was located in North America; and 7 million square feet (1 million square meters) was located in Asia. We operate these sites primarily on behalf of large corporations, who have outsourced their warehousing, distribution and other related activities to us.

We have identified five key drivers of value creation in our business:

- Critical Scale in a Fast-Growing Industry with Strong Tailwinds: Our significant scale makes us well-positioned to benefit from the logistics industry's predominant tailwinds the growth in consumer demand for e-commerce and omnichannel retail, the rapidly increasing customer demand for warehouse automation and other digital supply chain capabilities, and the secular shift in logistics toward outsourcing;
- Robust Technological Differentiation: We are strongly differentiated by our technology as an innovative provider of sophisticated logistics solutions that enhance visibility, speed, accuracy and cost effectiveness

for our customers, and by our ability to customize our technology-enabled services to each customer's requirements;

- Long-Term Customer Relationships in Attractive Verticals: We have a large opportunity to grow our share in verticals with durable fundamentals and high-growth outsourcing opportunities, where we have strong partnerships with preeminent customers, longstanding track records and deep expertise;
- Resilient Business Model with Multiple Drivers of Profitable Growth: We have numerous avenues for
  profitable growth, including a long runway for margin expansion through the ongoing deployment of our
  technology in areas such as labor productivity, warehouse management, inventory management, demand
  forecasting and advanced automation, as well as an asset-light business model that historically has given us
  agility across cycles and generated strong free cash flow; and
- Experienced and Cohesive Leadership: Our company is led by highly experienced executives who are recognized as leading practitioners in their respective fields, and who will work together to create sustainable value through operational excellence and a purposeful culture.

Critical Scale in a Fast-Growing Industry with Strong Tailwinds. GXO is the largest pure-play contract logistics provider in the world, and a foremost innovator in an industry propelled by strong secular tailwinds. Our total potential addressable market across North America and Europe is approximately \$430 billion, including the \$130 billion of logistics spend that is currently outsourced and the opportunity for another \$300 billion of spend that is currently insourced.

Order fulfillment times are compressing, and new channels are emerging as companies seek to improve the efficiency, speed and visibility of their supply chain activities, notably in the direct-to-consumer space. The most effective way to meet these expectations is through outsourced solutions that provide advanced automation, digital visibility and intelligent machines, such as robotics and autonomous goods-to-person systems — all capabilities we offer today.

Robust Technological Differentiation. Logistics processes are ripe for transformation through automation. As a global leader in logistics innovation, GXO is well positioned to capitalize on this evolution. Increasingly, customers want technology-enabled, highly customized solutions that incorporate intelligent automation and data science, particularly in e-commerce, omnichannel retail and direct-to-consumer channels. The timely delivery of goods to consumers is becoming imperative, leading to compressed order fulfillment times. Our focus as an innovator is on helping our customers meet the expectations of their customers, with reliable outcomes, more visibility and greater efficiency.

In 2019, we integrated cobots (collaborative robots) and goods-to-person systems in a number of our sites to support our warehouse employees; this substantially increased throughput in 2020.

Long-Term Customer Relationships in Attractive Verticals. Our customer base includes numerous long-term relationships with blue-chip market leaders and world-class brands, including over 30% of Fortune 100 companies and 24% of the Fortune Global 100. Our customers operate in sectors with high-growth outsourcing opportunities, such as retail and e-commerce, food and beverage, consumer packaged goods, consumer technology, telecommunications, manufacturing, chemical, agribusiness, life sciences and healthcare. We have extensive experience in these verticals, and we understand the specific requirements for quality control, real-time visibility, special handling, security, complex stock-keeping, time-assured deliveries and agility during surges in demand. The average relationship tenure for our top 20 customers in 2020, based on revenue, was approximately 15 years.

Resilient Business Model with Multiple Drivers of Profitable Growth. We have numerous drivers of profitable growth, including a long runway for margin expansion through continuous deployment of our technology, as well as our asset-light business model, which has historically been resilient across cycles, with high returns, strong free cash flow and visibility into revenue and earnings. The vast majority of our contracts with customers are multi-year agreements, with facility lease arrangements that generally align with contract length. Historically, our retention rate has been approximately 93%. Additionally, our business requires limited maintenance capital spending, which

provides us with the flexibility to adjust our overall capital spending to changes in the macro environment. We are committed to continuing to deploy capital with discipline and agility to maximize shareholder value.

Experienced and Cohesive Leadership. Our company and its culture are led by Malcolm Wilson, chief executive officer, and Baris Oran, chief financial officer. Each of our executives has decades of experience in their respective fields, having previously served in leadership roles in businesses around the globe. Our executives foster a company culture that is safe, respectful, entrepreneurial, innovative, and inclusive, with a focus on diversity, equity and inclusion that continues to shape our recruitment efforts and work environments.

## **Our Strategy**

Our strategy is to help our customers manage their supply chains efficiently, using our network of people, technology and physical assets. Our growth and optimization strategy encompasses (i) developing additional business in verticals where we already have deep expertise, long-term relationships with prominent customers and a strong track record of performance, by successfully selling to new customers and by serving existing customers expertly through new projects, thus earning more of their external and internal logistics spend; (ii) marketing the advantages of our proprietary technology for warehouse operations, which we use to manage advanced automation, robotics, labor productivity, inventory management, safety, seasonal changes in demand and other aspects of complex logistics environments; (iii) partnering with our customers in meeting their goals for supply chain performance, risk mitigation, cost efficiency, growth management and stakeholder satisfaction, by helping them overcome challenges specific to their business; and (iv) integrating industry best practices into our operations to drive productivity, with a focus on automation and other levers of profitable growth.

## **Technology and Intellectual Property**

Our productivity is driven in large part by our proprietary warehouse management platform and order management system, as well as our comprehensive "Smart" suite of tools and analytics designed to enhance labor and inventory management. Our intelligent tools and analytics self-learn daily, site by site, to continuously optimize productivity. This technology incorporates dynamic data science, predictive analytics and machine learning to aid in decision-making. Our site managers use these tools to improve productivity in a safe, disciplined and cost-effective manner. See "Technology and Intellectual Property" for more information.

Additionally, we have developed analytics that predict future surges in demand based on data histories and forecasted customer spend. Our demand forecasting helps our customers manage their supply chains throughout the ebb and flow of required volumes, while meeting the expectations of their end-markets. In the e-commerce industry, for example, about 15% to 35% of consumer goods bought online are returned, depending on the product category, which creates reverse peaks at certain times of year. We have been able to shave several days off the reverse logistics process through automation, accelerating our customers' ability to get e-commerce goods back into inventory for resale. We believe our expertise in managing the complexities of returned items is a strategic advantage and a key differentiator from our peers.

Another type of innovation that differentiates GXO is our "Direct" shared-space distribution network for business-to-consumer ("B2C") and business-to-business ("B2B") customers in North America. This network gives retailers, e-tailers and manufacturers access to our scale, expertise and technology without the high fixed costs of traditional distribution center models. Our customers can position inventory within one- and two-day ground delivery range of approximately 99% of the U.S. population and in close proximity to retail stores for inventory replenishment. As demand patterns change, we reposition the inventory around our network, managed and tracked by our technology. This service responds directly to end-market expectations for shorter fulfillment times, and consequently, it enhances brand loyalty for our customers.

# **Summary of Risk Factors**

An investment in our company is subject to a number of risks, including risks related to our business, risks related to the separation and distribution and risks related to our common stock. Set forth below is a high-level summary of some, but not all, of these risks. Please read the information in the section titled "Risk Factors" of this information statement for a more thorough description of these and other risks.

#### Risks Related to Our Business

Risks Related to Our Strategy and Operations

- We operate in a highly competitive industry, and failure to compete or respond to customer requirements could negatively affect our business and our results of operations.
- Increases in our labor costs to attract, train and retain employees may have a material adverse effect on us.
- We depend on our ability to attract and retain qualified employees and temporary workers.
- Economic recessions and other factors that reduce consumer spending, both in North America and Europe, could have a material adverse impact on our business.
- Our past acquisitions, as well as any acquisitions that we may complete in the future, may be unsuccessful or result in other risks or developments that adversely affect our financial condition and results.
- We may not successfully manage our growth.
- Our overseas operations are subject to various operational and financial risks that could adversely affect our business.
- We are exposed to currency exchange rate fluctuations because a significant proportion of our assets, liabilities and earnings are denominated in foreign currencies.
- Our ability to successfully manage the costs and operational difficulties of adding new customers and business may negatively affect our financial condition and operations.
- The contractual terms between us and our customers could expose us to penalties and costs in the event we do not meet the contractually prescribed performance levels.
- Our operations are subject to seasonal fluctuations, and our inability to manage these fluctuations could negatively affect our business and our results of operations.
- The COVID-19 pandemic could have a material adverse effect on our business operations, results of operations, cash flows and financial position.

Risks Related to Our Use of Technology

• Our business will be seriously harmed if we fail to develop, implement, maintain, upgrade, enhance, protect and integrate our information technology systems, including those systems of any businesses that we acquire.

- A failure of our information technology infrastructure or a breach of our information systems, networks or processes may materially adversely affect our business.
- Issues related to the intellectual property rights on which our business depends, whether related to our failure to enforce our own rights or infringement claims brought by others, could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Third-Party Relationships

- Our business may be materially adversely affected by labor disputes or organizing efforts.
- Our business uses a large number of temporary workers in our operations. Any failure to properly manage our temporary workers could have a material adverse impact on our revenues, earnings, financial position and outlook.

Risks Related to Litigation and Regulations

- From time to time, we are involved in lawsuits and are subject to various claims that could result in significant expenditures and impact our operations.
- We are subject to risks associated with defined benefit plans for our current and former employees, which could have a material adverse effect on our earnings and financial position.
- Changes in income tax regulations for U.S. and multinational companies may increase our tax liability.
- We are subject to regulation, which could negatively impact our business.
- Proposed or pending legislative or regulatory changes, or future legislative or regulatory changes, at the
  federal, state or local level could decrease demand for our services, increase our costs, including our labor
  costs, and negatively affect our business and our results of operations.

# Risks Related to the Separation and Distribution

- We have no history of operating as an independent company, and our historical and pro forma financial
  information is not necessarily representative of the results that we would have achieved as a separate,
  publicly traded company and may not be a reliable indicator of our future results.
- Following the separation and distribution, our financial profile will change, and we will be a smaller, less diversified company than XPO prior to the separation.
- We may not achieve some or all of the expected benefits of the separation and distribution, and the separation and distribution may materially adversely affect our business.
- XPO's plan to separate into two independent, publicly traded companies is subject to various risks and
  uncertainties and may not be completed in accordance with the expected plans or anticipated timeline, or at
  all, and will involve significant time and expense, which could disrupt or adversely affect our business.
- Challenges in the commercial and credit environment may adversely affect the expected benefits of the separation, the expected plans or anticipated timeline to complete the separation and our future access to capital on favorable terms.
- We have incurred debt obligations, and may in the future incur additional debt obligations, that could
  adversely affect our business and profitability and our ability to meet other obligations.
- We could experience temporary interruptions in business operations and incur additional costs as we build our information technology infrastructure and transition our data to our own systems.
- Our accounting, tax and other management systems and resources may not be adequately prepared to meet
  the financial reporting and other requirements to which we will be subject as a standalone, publicly traded
  company following the separation and distribution.

- In connection with the separation into two public companies, each of XPO and GXO will indemnify each other for certain liabilities. If we are required to pay under these indemnities to XPO, our financial results could be negatively impacted. The XPO indemnities may not be sufficient to hold us harmless from the full amount of liabilities for which XPO will be allocated responsibility, and XPO may not be able to satisfy its indemnification obligations in the future.
- XPO may fail to perform under various transaction agreements that will be executed as part of the separation, or we may fail to have necessary systems and services in place when certain of the transaction agreements expire.
- We may be held liable to XPO if we fail to perform certain services under the transition services agreement, and the performance of such services may negatively impact our business and operations.

- The terms we will receive in our agreements with XPO could be less beneficial than the terms we may have otherwise received from unaffiliated third parties.
- If the distribution, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, we, as well as XPO and XPO's stockholders, could be subject to significant tax liabilities, and, in certain circumstances, we could be required to indemnify XPO for material amounts of taxes and other related amounts pursuant to indemnification obligations under the tax matters agreement. In addition, if certain internal restructuring transactions were to fail to qualify as transactions that are generally tax-free for U.S. federal or non-U.S. income tax purposes, we, as well as XPO, could be subject to significant tax liabilities.
- We may not be able to engage in desirable capital-raising or strategic transactions following the separation.
- The transfer to us of certain contracts, permits and other assets and rights may require the consents or
  approvals of, or provide other rights to, third parties and governmental authorities. If such consents or
  approvals are not obtained, we may not be entitled to the benefit of such contracts, permits and other assets
  and rights, which could increase our expenses or otherwise harm our business and financial performance.
- Until the distribution occurs, the XPO board of directors has sole and absolute discretion to change the terms of the separation and distribution in ways that may be unfavorable to us.
- No vote of XPO stockholders is required in connection with the distribution. As a result, if you do not want
  to receive our common stock in the distribution, your sole recourse will be to divest yourself of your XPO
  common stock prior to the record date for the distribution.

## Risks Related to Our Common Stock

- We cannot be certain that an active trading market for our common stock will develop or be sustained after the distribution and, following the distribution, our stock price may fluctuate significantly.
- There may be substantial and rapid changes in our stockholder base, which may cause our stock price to fluctuate significantly.
- A significant number of shares of our common stock may be sold following the distribution, which may
  cause our stock price to decline.
- Any stockholder's percentage of ownership in GXO may be diluted in the future at any given time.
- We cannot guarantee the timing, amount or payment of dividends on our common stock.
- Certain provisions in GXO's amended and restated certificate of incorporation and bylaws, and of Delaware law, may prevent or delay an acquisition of GXO, which could decrease the trading price of GXO's common stock.

- GXO's amended and restated certificate of incorporation will contain an exclusive forum provision that may discourage lawsuits against GXO and GXO's directors and officers.
- The combined post-separation value of one share of XPO common stock and one share of GXO common stock may not equal or exceed the pre-distribution value of one share of XPO common stock.
- Our Chairman controls a large portion of our stock, which could limit other stockholders' ability to influence the outcome of key decisions and transactions, including changes of control.

## The Separation and Distribution

In December 2020, XPO announced its intention to separate into two independent, publicly traded companies. The separation will occur through a pro rata distribution to XPO stockholders of 100% of the shares of common

stock of GXO, the newly formed company that will consist of XPO's existing logistics business. XPO will remain a publicly traded company after the separation, consisting of its existing transportation business.

On July 12, 2021, the XPO board of directors approved the distribution of all of GXO's issued and outstanding shares of common stock on the basis of one share of GXO common stock for every share of XPO common stock held as of the close of business on July 23, 2021, the record date for the distribution.

## GXO's Post-Separation Relationship with XPO

After the distribution, XPO and GXO will each be separate companies with separate management teams and separate boards of directors. Prior to the distribution, XPO and GXO will enter into the separation agreement. We will also enter into various other agreements that will provide a framework for our relationship with XPO after the separation, including a transition services agreement, a tax matters agreement, an employee matters agreement and an intellectual property license agreement. These agreements will provide for the allocation between GXO and XPO of the assets, employees, liabilities and obligations (including, among others, investments, property and employee benefits and tax-related assets and liabilities) of XPO and its subsidiaries attributable to periods prior to, at and after the separation and will govern the relationship between us and XPO subsequent to the completion of the separation. For additional information regarding the separation agreement and other transaction agreements, see the sections titled "Risk Factors—Risks Related to the Separation and Distribution" and "Certain Relationships and Related Party Transactions."

## Reasons for the Separation

The XPO board of directors believes that the separation of XPO into two independent, publicly traded companies through the separation of the GXO Businesses from XPO is in the best interests of XPO and its stockholders for a number of reasons, including:

- Clear-Cut Investment Identities. The separation will allow investors to more clearly understand the separate business models, financial profiles and investment identities of the two companies and to invest in each based on a better appreciation of these characteristics. Each company is expected to have less debt and enhanced earnings potential, which would make it easier for each to achieve an investment-grade credit rating. GXO is expected to have an investment-grade credit rating at the time of the distribution, and XPO will target achieving such rating over time. To the extent that enhanced investor understanding and deleveraging results in greater investor demand for shares of XPO stock and/or GXO stock, it could cause each company to be valued at multiples higher than XPO's current multiple, and higher than its publicly traded peers. Any such increase in the aggregate market value of XPO and GXO following the separation over XPO's market value prior to the separation would benefit XPO, GXO, and their respective stakeholders.
- Creation of Independent Equity Currencies and Enhanced Strategic Opportunities. The separation will provide each of XPO and GXO with its own pure-play equity currency that can be used to facilitate capital

- raising and to pursue accretive M&A opportunities that are more closely aligned with each company's strategic goals and expected growth opportunities. To the extent that the separate equity currencies are more attractively valued, this would further increase these benefits to XPO and GXO.
- Improved Alignment of Management Incentives and Performance. The separation will allow each company to more effectively recruit, retain and motivate employees through the use of equity-based compensation that more closely reflects and aligns management and employee incentives with specific growth objectives, financial goals and business attributes. To the extent that the separate equity currencies are more attractively valued, this would further benefit XPO and GXO.
- Separate Capital Structures and Allocation of Financial Resources. The separation will permit each company to allocate its financial resources to meet the unique needs of its businesses and intensify the focus on its distinct operating and strategic priorities, including by investing in enhancements to the proprietary software developed for its service offerings. The separation will also give each business its own capital structure and allow it to manage capital allocation and capital return strategies with greater agility in

- response to changes in the operating environment and industry landscape. Further, the separation will eliminate internal competition for capital between the two businesses and enable each business to implement a capital structure tailored to its strategy and business needs.
- Enhanced Management Focus on Core Businesses. The separation will provide each company's management team with undiluted focus on their specific operating and strategic priorities and customer requirements. The separation will enable the management teams of each company to better focus on strengthening its core businesses and operations, to more effectively address unique operating and other needs, and to pursue distinct and targeted opportunities for long-term growth and profitability. The separation will enable each company to deepen its competitive differentiation by having its technology team focus on enhancing the proprietary software developed for its specific service offerings, including XPO's digital transportation platform and GXO's productivity tools and warehouse management platform for its logistics operations.

The XPO board of directors also considered a number of potentially negative factors in evaluating the separation, including:

- Risk of Failure to Achieve Anticipated Benefits of the Separation. We may not achieve the anticipated benefits of the separation for a variety of reasons, including, among others: the separation will demand significant management resources and require significant amounts of management's time and effort, which may divert management's attention from operating our business; following the separation, we may be more susceptible to market fluctuations, and other events may be more disadvantageous for us than if we were still part of XPO, because our business would be less diversified than XPO's business is prior to the completion of the separation.
- Disruptions and Costs Related to the Separation. The actions required to separate the GXO Businesses from XPO could disrupt our operations. In addition, we will incur substantial costs in connection with the separation and the transition to being a standalone public company, which may include accounting, tax, legal and other professional services costs, recruiting and relocation costs associated with hiring key senior management personnel who are new to GXO, tax costs, and costs to separate information systems.
- Loss of Scale and Increased Administrative Costs. Prior to the separation, GXO is able to take advantage of XPO's size and purchasing power in procuring certain goods, services and technologies. After the separation, as a standalone company, we may be unable to obtain these goods, services and technologies at prices or on terms as favorable as those XPO obtained prior to completion of the separation. In addition, as part of XPO, GXO benefits from certain functions performed by XPO, such as accounting, tax, legal, human resources and other general and administrative functions. After the separation, XPO will not perform these functions for us, other than certain functions that will be provided for a limited time pursuant to the transition services agreement, and, because of our smaller scale as a standalone company, our cost of

- performing such functions could be higher than the amounts reflected in our historical financial statements, which would cause our profitability to decrease.
- Limitations on Strategic Transactions. Under the terms of the tax matters agreement that we will enter into with XPO, we will be restricted from taking certain actions that could cause the distribution or certain related transactions (or certain transactions undertaken as part of the internal reorganization) to fail to qualify as tax-free under applicable law. These restrictions may limit, for a period of time, our ability to pursue certain strategic transactions and equity issuances or engage in other transactions that might increase the value of our business.
- Uncertainty Regarding Stock Prices. We cannot predict the effect of the separation on the trading prices of GXO or XPO common stock or know with certainty whether the combined market value of one share of an one share of XPO common stock will be less than, equal to or greater than the market value of one share of XPO common stock prior to the distribution.

In determining whether to pursue the separation, the XPO board of directors concluded the potential benefits of the separation outweighed the potential negative factors. See the sections titled "The Separation and Distribution—Reasons for the Separation" and "Risk Factors" included elsewhere in this information statement.

## Capitalization Summary

For information regarding the post-distribution capitalization of GXO, see the section titled "Capitalization".

#### **Corporate Information**

GXO was incorporated in Delaware on February 16, 2021, for the purpose of holding the GXO Businesses in connection with the separation and distribution described herein. Prior to the transfer of the GXO Businesses to us by XPO, which will occur prior to the distribution, GXO will have no operations other than those incidental to the separation and related transactions. The address of our principal executive offices will be Two American Lane, Greenwich, CT 06831. Our telephone number after the distribution will be [ ]. We maintain an internet site at www.gxo.com. Our website and the information contained therein or connected thereto are not incorporated into this information statement or the registration statement of which this information statement forms a part, or in any other filings with, or any information furnished or submitted to, the SEC.

## **Reason for Furnishing this Information Statement**

This information statement is being furnished solely to provide information to XPO stockholders who will receive shares of GXO common stock in the distribution. It is not, and is not to be construed as, an inducement or encouragement to buy or sell any of XPO's or GXO's securities. The information contained in this information statement is believed by GXO to be accurate as of the date set forth on its cover. Changes may occur after that date, and neither XPO nor GXO undertakes any obligation to update the information except as may be required in the normal course of their respective disclosure obligations and practices, or as required by applicable law.

QUESTIONS AND ANSWERS ABOUT THE SEPARATION AND DISTRIBUTION

What is GXO and why is XPO stock?

GXO, which is currently a wholly owned subsidiary of XPO, was formed to own separating the GXO Businesses and operate XPO's GXO Businesses. The separation of GXO from XPO and the and distributing GXO common distribution of GXO common stock is intended, among other things, to simplify XPO's business structure, enable the management of the two companies to pursue opportunities for long-term growth and profitability unique to each company's business, and allow each business to more effectively implement its own capital structure, investment identity, and resource allocation strategies. XPO expects that the separation will result in enhanced long-term performance of each business for the reasons discussed in the section titled "The Separation and Distribution—Reasons for the Separation."

Why am I receiving this document?

XPO is delivering this document to you because you are a holder of shares of XPO common stock. If you are a holder of shares of XPO common stock as of the close of business on July 23, 2021, the record date for the distribution, you will be entitled to receive one share of GXO common stock for every share of XPO common stock that you hold at the close of business on such date. This document is intended to describe the separation and distribution and help you understand how the separation and distribution will affect your post-separation ownership in XPO and GXO.

How will the separation of GXO from XPO work?

As part of the separation, and prior to the distribution, XPO and its subsidiaries expect to complete an internal reorganization (which we refer to as the "internal reorganization") to transfer to GXO the GXO Businesses that GXO will own following the separation. To complete the separation, XPO will distribute all of the outstanding shares of GXO common stock to XPO stockholders on a pro rata basis in a distribution intended to be tax-free to XPO stockholders for U.S. federal income tax purposes. Following the separation, the number of shares of XPO common stock you own will not change as a result of the separation.

What is the record date for the distribution?

The record date for the distribution will be July 23, 2021.

When will the distribution occur? We expect that all of the outstanding shares of GXO common stock will be distributed by XPO at 12:01 a.m., Eastern Time, on August 2, 2021, to holders of record of shares of XPO common stock at the close of business on July 23, 2021, the record date for the distribution.

What do stockholders need to do to participate in the distribution?

Stockholders of XPO as of the record date for the distribution will not be required to take any action to receive GXO common stock in the distribution, but you are urged to read this entire information statement carefully. No stockholder approval of the distribution is required. You are not being asked for a proxy. You do not need to pay any consideration, exchange or surrender your existing shares of XPO common stock or take any other action to receive your shares of GXO common stock. Please do not send in your XPO stock certificates. The distribution will not affect the number of outstanding shares of XPO common stock or any rights of XPO stockholders, although it will affect the market value of each outstanding share of XPO common stock.

stock be issued?

How will shares of GXO common You will receive shares of GXO common stock through the same channels that you currently use to hold or trade shares of XPO common stock, whether through a brokerage account, 401(k) plan or other channel. Receipt of GXO shares will Geruget (n. 1821) (1921) Warts Consider the Environment Before Printing This Document you typically receive stockholder Please Consider the Environment Before Printing This Document updates, such as monthly broker statements and 401(k) statements.

If you own shares of XPO common stock as of the close of business on the record date for the distribution, including shares owned in certificate form, XPO, with the assistance of Computershare Trust Company, N.A., the distribution agent for the distribution (the "distribution agent" or "Computershare"), will electronically distribute shares of GXO common stock to you or to your brokerage firm on your behalf in book-entry form. The distribution agent will mail you a book-entry account statement that reflects your shares of GXO common stock, or your bank or brokerage firm will credit your account for the shares.

How many shares of GXO common stock will I receive in the distribution?

XPO will distribute to you one share of GXO common stock for every share of XPO common stock held by you as of close of business on the record date for the distribution. Based on approximately 114,602,061 shares of XPO common stock outstanding as of July 9, 2021, a total of approximately 114,602,061 shares of GXO common stock will be distributed to XPO's stockholders. For additional information on the distribution, see "The Separation and Distribution."

of its common stock in the distribution?

Will GXO issue fractional shares No. XPO will distribute one share of our common stock for each share of XPO common stock you own as of the close of business on the record date. As a result, no fractional shares will be distributed.

# What are the conditions to the distribution?

The distribution is subject to final approval by the XPO board of directors, as well as to the satisfaction (or waiver by XPO in its sole and absolute discretion) of a number of conditions, including, among others:

- the U.S. Securities and Exchange Commission (the "SEC") declaring
  effective the registration statement of which this information statement
  forms a part; there being no order suspending the effectiveness of the
  registration statement; and no proceedings for such purposes having been
  instituted or threatened by the SEC;
- this information statement having been made available to XPO stockholders;
- the receipt by XPO and continuing validity of an opinion of its outside counsel, satisfactory to the XPO board of directors, regarding the qualification of the distribution, together with certain related transactions, as a "reorganization" within the meaning of Sections 355 and 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the "Code");
- the transfer of assets and liabilities to GXO having been completed in accordance with the separation and distribution agreement, which is described below in this information statement (the "separation agreement");
- an independent appraisal firm acceptable to the XPO board of directors
  having delivered one or more opinions to the XPO board of directors
  confirming the solvency and financial viability of XPO before the
  completion of the distribution and each of XPO and GXO after completion
  of the distribution, in each case in a form and substance acceptable to the
  XPO board of directors in its sole and absolute discretion:
- all actions and filings necessary or appropriate under applicable U.S. federal, state or other securities or blue sky laws and the rules and regulations thereunder relating to the separation and distribution having been taken or made and, where applicable, having become effective or been accepted;
- the transaction agreements relating to the separation and distribution having been duly executed and delivered by the parties thereto;
- no order, injunction or decree issued by any government authority of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the separation, the distribution or any of the related transactions being in effect;
- the shares of GXO common stock to be distributed having been approved for listing on the NYSE, subject to official notice of distribution;
- XPO having received certain proceeds from the GXO financing
  arrangements described under "Description of Material Indebtedness" and
  being satisfied in its sole and absolute discretion that, as of the effective time
  of the distribution, it will have no further liability under such arrangements,
  and XPO having completed any required refinancing of its existing
  indebtedness on terms satisfactory to the XPO board of directors in its sole

XPO and GXO cannot assure you that any or all of these conditions will be met, or that the separation or distribution will be consummated even if all of the conditions are met. XPO can decline at any time to go forward with the separation and distribution. In addition, XPO may waive any of the conditions to the distribution. For a complete discussion of all of the conditions to the distribution, see "The Separation and Distribution-Conditions to the Distribution."

What is the expected date of completion of the separation? The completion and timing of the separation are dependent upon a number of conditions. We expect that the shares of GXO common stock will be distributed by XPO at 12:01 a.m., Eastern Time, on August 2, 2021, to the holders of record of shares of XPO common stock at the close of business on July 23, 2021, the record date for the distribution. However, no assurance can be provided as to the timing of the separation or distribution or that all conditions to the distribution will be met.

Can XPO decide to cancel the distribution of GXO common stock even if all of the conditions have been met?

Yes. Until the distribution has occurred, the XPO board of directors has the right to terminate the distribution, even if all of the conditions are satisfied.

What if I want to sell my XPO common stock or my GXO common stock?

You should consult with your financial advisors, such as your stock broker, bank or tax advisor. If you sell your shares of XPO common stock in the "regularway" market after the record date and before the distribution date, you also will be selling your right to receive shares of GXO common stock in connection with the distribution

What is "regular-way" and "exdistribution" trading of XPO common stock?

Beginning on or shortly before the record date for the distribution and continuing up to the distribution date, we expect that there will be two markets in XPO common stock: a "regular-way" market and an "ex-distribution" market. XPO common stock that trades in the "regular-way" market will trade with an entitlement to shares of GXO common stock distributed pursuant to the distribution. Shares that trade in the "ex-distribution" market will trade without an entitlement to GXO common stock distributed pursuant to the distribution. If you decide to sell any shares of XPO common stock before the distribution date, you should make sure your stockbroker, bank or other nominee understands whether you want to sell your XPO common stock with or without your entitlement to GXO common stock pursuant to the distribution.

Where will I be able to trade shares of GXO common stock?

GXO intends to list its common stock on the NYSE under the symbol "GXO." GXO anticipates that trading in shares of its common stock will begin on a "when-issued" basis on or shortly before the record date for the distribution and will continue up to the distribution date, and that "regular-way" trading in GXO common stock will begin on the distribution date. If trading begins on a "whenissued" basis, you may purchase or sell GXO common stock up to the distribution date, but your transaction will not settle until after the distribution date. GXO cannot predict the trading prices for its common stock before, on or after the distribution date.

What will happen to the listing of XPO common stock will continue to trade on the NYSE after the distribution. XPO common stock?

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Will the number of shares of XPO New The muthor work that es of XPO The manustruck that you own will not change as a result of the distribution

Will the distribution affect the market price of my XPO common stock?

Yes. As a result of the distribution, XPO expects the trading price of shares of XPO common stock immediately following the distribution to be different from the "regular-way" trading price of such shares immediately prior to the distribution because the trading price will no longer reflect the value of the GXO Businesses. There can be no assurance whether the aggregate market value of XPO common stock and GXO common stock following the separation will be higher or lower than the market value of XPO common stock if the separation did not occur. This means, for example, that the combined trading prices of a share of XPO common stock and a share of GXO common stock after the distribution may be equal to, greater than or less than the trading price of a share of XPO common stock before the distribution.

What are the material U.S. federal income tax and the distribution?

It is a condition to the distribution that XPO receives an opinion of its outside counsel, satisfactory to the XPO board of directors, regarding the qualification of consequences of the separation the distribution, together with certain related transactions, as a "reorganization" within the meaning of Sections 355 and 368(a)(1)(D) of the Code.

> If the distribution, together with certain related transactions, so qualifies, generally no gain or loss will be recognized by you, and no amount will be included in your income, for U.S. federal income tax purposes upon your receipt of GXO common stock in the distribution.

> You should carefully read the section titled "Material U.S. Federal Income Tax Consequences" and should consult your own tax advisor as to the particular consequences of the distribution to you, including the applicability and effect of any U.S. federal, state and local tax laws, as well as any non-U.S. tax laws.

What will GXO's relationship be with XPO following the separation?

After the distribution, XPO and GXO will be separate companies with separate management teams and separate boards of directors. GXO will enter into a separation and distribution agreement with XPO to effect the separation and to provide a framework for GXO's relationship with XPO after the separation, and will enter into certain other agreements, including a transition services agreement, a tax matters agreement, an employee matters agreement and an intellectual property license agreement. These agreements will provide for the allocation between GXO and XPO of the assets, employees, liabilities and obligations (including, among others, investments, property and employee benefits and tax-related assets and liabilities) of XPO and its subsidiaries attributable to periods prior to, at and after the separation and will govern the relationship between GXO and XPO subsequent to the completion of the separation. For additional information regarding the separation agreement and other transaction agreements, see the sections titled "Risk Factors-Risks Related to the Separation and Distribution" and "Certain Relationships and Related Party Transactions"

Who will manage GXO after the separation?

GXO will benefit from a management team with an extensive background in the GXO Businesses. For more information regarding GXO's management and directors, see "Management" and "Directors."

Are there risks associated with owning GXO common stock? Yes. Ownership of GXO common stock is subject to both general and specific risks relating to the GXO Businesses, the industry in which it operates, its ongoing contractual relationships with XPO and its status as a separate, publicly

Craphed Coopiany Ownership of Al Xights Crasmon stock is also subject to risks Please Consider the Environment Before Printing This Document relating to the separation. Certain of these risks are described in the "Risk"

prior to or at the time of the distribution?

Will GXO incur any indebtedness Yes. In June 2021, GXO entered into a Revolving Credit Agreement providing for an \$800 million unsecured, unsubordinated five-year revolving credit facility. Additionally, in July 2021, GXO issued \$800 million of unsecured, unsubordinated notes in two series. GXO expects to transfer all or a portion of the net proceeds of the notes and other cash and cash equivalents to XPO, which XPO intends to use to repay existing indebtedness. As a result of such transactions, GXO anticipates having approximately \$800 million of outstanding indebtedness upon completion of the distribution (excluding finance leases and intercompany liabilities and any borrowings under the Revolving Credit Facility). See "Description of Material Indebtedness" and "Risk Factors—Risks Related to Our Business."

agent and registrar for GXO common stock?

Who will be the distribution agent The distribution agent, transfer agent and registrar for the GXO common stock for the distribution and transfer will be Computershare. For questions relating to the transfer or mechanics of the stock distribution, you should contact Computershare toll free at (800) 622-6757.

Where can I find more information about XPO and GXO?

Before the distribution, if you have any questions relating to XPO, you should contact:

XPO Logistics, Inc. Five American Lane Greenwich, CT 06831

Attention: Investor Relations

After the distribution, GXO stockholders who have any questions relating to GXO should contact:

GXO Logistics, Inc. Two American Lane Greenwich, CT 06831

Attention: Investor Relations

The GXO investor relations website is at www.gxo.com/investors. The GXO website and the information contained therein or connected thereto are not incorporated into this information statement or the registration statement of which this information statement forms a part, or in any other filings with, or any information furnished or submitted to, the SEC.

## SUMMARY HISTORICAL AND PRO FORMA COMBINED FINANCIAL DATA

The following summary financial data reflects the combined operations of GXO. We derived the summary combined income statement data for the years ended December 31, 2020, 2019 and 2018, and summary combined balance sheet data as of December 31, 2020 and 2019, as set forth below, from our audited Combined Financial Statements, which are included in the "Index to Financial Statements" section of this information statement. We derived our summary combined balance sheet data as of December 31, 2018, also as set forth below, from our unaudited underlying financial records, which were derived from the financial records of XPO. We derived the summary combined income statement data for the three months ended March 31, 2021 and 2020, and summary combined balance sheet data as of March 31, 2021, as set forth below, from our unaudited Condensed Combined Financial Statements, which are included in the "Index to Financial Statements" section of this information statement. To ensure a full understanding of this summary financial data, you should read the summary combined financial data presented below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," our Combined Financial Statements and accompanying notes and the Condensed Combined Financial Statements and accompanying notes included elsewhere in this information statement. The historical results do not necessarily indicate the results expected for any future period.

The summary unaudited pro forma combined financial data as of and for the three months ended March 31, 2021 and 2020 and for year ended December 31, 2020 has been prepared to reflect the separation, including the incurrence of indebtedness of \$800 million, and the distribution of approximately \$978 million of cash to XPO. The Unaudited Pro Forma Condensed Combined Statement of Operations presented assumes the separation occurred on January 1, 2020, the beginning of our most recently completed fiscal year. The Unaudited Pro Forma Condensed Combined Balance Sheet presented for March 31, 2021 assumes the separation occurred on March 31, 2021, our latest balance sheet date. The assumptions used and pro forma adjustments derived from such assumptions are based on currently available information, and we believe such assumptions are reasonable under the circumstances.

The Unaudited Pro Forma Condensed Combined Financial Information is not necessarily indicative of our results of operations or financial condition had the distribution and our anticipated post-separation capital structure been completed on the dates assumed. It may not reflect the results of operations or financial condition that would have resulted had we been operating as an independent, publicly traded company during such periods. In addition, it is not necessarily indicative of our future results of operations or financial condition.

You should read this summary financial data together with "Unaudited Pro Forma Condensed Combined Financial Information," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations", our Combined Financial Statements and accompanying notes and our Condensed Combined Financial Statements and accompanying notes included elsewhere in this information statement.

		I	Pro Forma							Н	listorical	Years Ended December 31, 20 2019 2018  3,195 \$ 6,094 \$ 6,066 16 150 14.  (6) 118 126						
		Three Months End March 31,				ecember 31,			nths Ended									
(In millions except per share data)	2021			2020		2020		2021		2020		2020		2019		2018		
Operating Results:																		
Revenue	\$	1,823	\$	1,442	\$	6,203	\$	1,822	\$	1,440	\$	6,195	\$	6,094	\$	6,065		
Operating income		29		_		8		30		2		16		150		143		
Income (loss) before income taxes		32		(1)		9		26		(4)		(6)		118		126		
Net income (loss)		21		(9)		(6)	)	17		(10)		(22)		81		90		
Net income (loss) attributable to GXO		18		(11)		(15)	)	14		(12)		(31)		60		70		
Earnings Per Share:																		
Basic	\$	0.17	\$	(0.12)	\$	(0.16)	)											
Diluted	\$	0.16	\$	(0.12)	\$	(0.16)	)											
Other Data:																		
Adjusted EBITDA	\$	140	\$	102	\$	442	\$	132	\$	96	\$	417	\$	469	\$	433		
Free Cash Flow							\$	(20)	\$	(4)	\$	123	\$	50	\$	95		
					`orm arch	a as of	s of March 31, As of December 31,					oer 31,						
(In millions)					2021		2	2021		2020		2019			2018			

	 March 31,	A	s of March 31,			As of December 31,					
(In millions)	2021		2021	2020			2019		2018		
Financial Position:											
Cash and cash equivalents (1)	\$ 228	\$	414	\$	328	\$	200	\$	300		
Total assets (2)	6,881		7,120		6,548		6,151		4,974		
Long-term debt and finance lease liabilities	923		586		615		642		930		
Total equity	2,451		3,043		2,948		2,697		2,574		

<sup>(1)</sup> It is anticipated that, on the distribution date, GXO will have approximately \$100 million of cash. The separation agreement will provide for an adjustment payment to potentially be made following the distribution from GXO to XPO, or from XPO to GXO, so that GXO's final cash balance as of the effective time of the distribution is equal to \$100 million. The pro forma cash amount at March 31,

- 2021 includes an additional \$128 million that was used to fund the purchase of the remaining 3% of XPO Logistics Europe in the second quarter of 2021.
- (2) We adopted Accounting Standards Update 2016-02, Leases (Topic 842) prospectively on January 1, 2019. Our historical total assets as of March 31, 2021, December 31, 2020 and 2019 include operating lease assets of \$1,733 million, \$1,434 million and \$1,458 million, respectively.

The tables below reconcile our non-GAAP measures to the nearest financial measure that is in accordance with accounting principles generally accepted in the United States ("GAAP") for the periods presented.

# Adjusted EBITDA

	Aujustu EDITDA																		
			]	Pro Forma							Historical								
	Three Months Ended March 31,					Year Ended December 31,		Three Mon		Years Ended December 31,									
(In millions)		2021		2020		2020		2021		2020		2020		2019		2018			
Net income (loss) attributable to GXO	\$	18	\$	(11)	\$	(15)	\$	14	\$	(12)	\$	(31)	\$	60	\$	70			
Net income attributable to noncontrolling interest		(3)		(2)		(9)		(3)	,	(2)		(9)		(21)		(20)			
Net income (loss)		21		(9)		(6)		17		(10)		(22)		81		90			
Interest expense		7		9		32		5		7		24		33		30			
Income tax provision		11		8		15		9		6		16		37		36			
Depreciation and amortization expense (1)		79		77		325		79		76		323		302		261			
Transaction and integration costs		18		17		47		18		17		47		1		9			
Restructuring costs		4		_		29		4		_		29		15		7			
Adjusted EBITDA	\$	140	\$	102	\$	442	\$	132	\$	96	\$	417	\$	469	\$	433			

(1) Includes amortization of acquisition-related intangible assets of \$14 million for the three months ended March 31, 2021 and 2020 and \$57 million, \$60 million and \$64 million in 2020, 2019 and 2018, respectively.

	Free Cash Flow												
	Thr	ee Months I	Ende	d March 31,	Years Ended December 31,								
(In millions)		2021		2020		2020		2019		2018			
Net cash provided by operating activities	\$	47	\$	41	\$	333	\$	145	\$	335			
Cash collected on deferred purchase price receivables		_		_		_		112		_			
Payment for purchases of property and equipment		(67)		(48)		(222)		(222)		(270)			
Proceeds from sale of property and equipment		_		3		12		15		30			
Free Cash Flow	\$	(20)	\$	(4)	\$	123	\$	50	\$	95			

# **Statement Regarding Non-GAAP Measures**

GXO's non-GAAP financial measures for the three months ended March 31, 2021 and 2020 and the years ended December 31, 2020, 2019 and 2018 and the unaudited pro forma financial data for the three months ended March 31, 2021 and 2020 and the year ended December 31, 2020 used in this statement include adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") and free cash flow on a combined basis.

We believe the above adjusted financial measures facilitate analysis of our ongoing business operations because they exclude items that may not be reflective of, or are unrelated to, GXO's core operating performance, and may assist investors with comparisons to prior periods and assessing trends in our underlying business. Other companies may calculate these non-GAAP financial measures differently, and therefore our measures may not be comparable to similarly titled measures of other companies. These non-GAAP financial measures should only be used as supplemental measures of our operating performance.

Adjusted EBITDA is calculated as Net income (loss) excluding interest, taxes, depreciation and amortization, and include adjustments for transaction and integration costs, as well as restructuring costs as set forth in the above table. Transaction and integration costs are generally incremental expenses that result from an actual or planned acquisition, divestiture or spin-off and may include third-party financial, legal and tax expenditures, consulting fees and retention awards. Restructuring costs primarily relate to severance costs associated with business optimization initiatives. Management uses these non-GAAP financial measures in making financial, operating and planning decisions and evaluating GXO's ongoing performance.

We believe that adjusted EBITDA improves comparability from period to period by removing the impact of our capital structure (interest and financing expenses), asset base (depreciation and amortization), tax impacts and other adjustments that management has determined are not reflective of core operating activities and thereby assists investors with assessing trends in our underlying business.

We believe that free cash flow is an important measure of our ability to repay maturing debt or fund other uses of capital that we believe will enhance stockholder value. We calculate free cash flow as net cash provided by operating activities plus cash collected on deferred purchase price receivables, less payment for purchases of property and equipment plus proceeds from sale of property and equipment.

#### RISK FACTORS

You should carefully consider the following risks and other information in this information statement in evaluating GXO and GXO common stock ("our stock" or "our common stock"). Any of the following risks and uncertainties could materially adversely affect our business, financial condition or results of operations.

## **Risks Related to Our Business**

## Risks Related to Our Strategy and Operations

We operate in a highly competitive industry, and failure to compete or respond to customer requirements could negatively affect our business and our results of operations.

The logistics industry is intensely competitive and is expected to remain so for the foreseeable future. We compete against multinational firms, regional players and emerging technology companies. We also must contend with our customers' ability to insource their logistics operations. The primary competitive factors that are most important to our customers are price and quality of service. Many larger customers utilize the services of multiple logistics providers. Customers regularly solicit bids from competitors in order to improve service and to secure favorable pricing and contractual terms such as longer payment terms, fixed-price arrangements, higher or unlimited liability limits and performance penalties. Increased competition and competitors' acceptance of more onerous contractual terms could result in reduced revenues, reduced margins, higher operating costs or loss of market share, any of which could have a material adverse effect on our results of operations, cash flows and financial condition.

# Increases in our labor costs to attract, train and retain employees may have a material adverse effect on us.

Our workforce is comprised primarily of employees who work on an hourly basis. To grow our operations and meet the needs and expectations of our customers, we must attract, train and retain a large number of hourly employees, while at the same time controlling labor costs. Several of our long-term customer contracts are fixed-price arrangements that limit our ability to pass on to our customers increases in labor costs due to low unemployment, increases in government unemployment benefits, competitive pressures, union activity or changes in federal or state minimum wage or overtime laws, and any such increases in labor costs could adversely affect our business, results of operations, cash flows and financial condition. For instance, our labor costs increased because of the COVID-19 pandemic, in part due to increased staffing needs, wage increases (including increases we awarded for pandemic frontline service) and increases in government unemployment benefits that have incentivized potential employees to remain out of the workforce in areas where we operate.

Additionally, our operations are subject to various employment related laws and regulations, which govern matters such as minimum wages, union organizing rights, the classification of employees and independent contractors, family and medical leave, overtime pay, compensable time, recordkeeping and other working conditions, and a variety of similar laws that govern these and other employment related matters. Any changes to employment related laws and regulations, including increased minimum wages, the expansion of union organization rights or changes in the classification of employees and independent contractors, could result in increased labor costs that could adversely affect our business, results of operations, cash flows and financial condition.

We are currently subject to employment related claims in connection with our operations. These claims, lawsuits and proceedings are in various stages of adjudication or investigation and involve a wide variety of claims and potential outcomes. Because labor represents a significant portion of our operating expenses, compliance with these evolving laws and regulations could substantially increase our cost of doing business, while failure to do so could subject us to significant fines and lawsuits and could have a material adverse effect on our business, financial condition and results of operations.

We depend on our ability to attract and retain qualified employees and temporary workers.				
We depend on our ability to attract and retain qualified talent, including temporary, part-time and full-time team members; managers; and executive officers. If we are unable to attract and retain such individuals, we may be				
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unable to maintain our current competitive position within the industry, meet our customers' expectations or successfully expand and grow our business.

In addition to our permanent employees, our ability to meet customer demands and expectations, especially during periods of peak volume, is substantially dependent on our ability to recruit and retain qualified temporary workers. Increased demand for temporary workers, low unemployment or changes in federal or state minimum wage laws may increase the costs of temporary labor, and any such increases in labor costs could adversely affect our business, results of operations, cash flows and financial condition. Moreover, our inability to recruit a qualified temporary workforce may result in our inability to meet our customers' performance targets.

Economic recessions and other factors that reduce consumer spending, both in North America and Europe, could have a material adverse impact on our business.

Our performance is affected by recessionary economic cycles, downturns in customers' business cycles, and changes in customers' business practices. Our customers experience cyclical fluctuations in demand for their products due to economic recessions, which reduces the demand for our services and could adversely affect our business, results of operations, cash flows and financial condition.

Our past acquisitions, as well as any acquisitions that we may complete in the future, may be unsuccessful or result in other risks or developments that adversely affect our financial condition and results.

While we intend for our acquisitions to improve our competitiveness and profitability, we cannot be certain that our past or future acquisitions will be accretive to earnings or otherwise meet our operational or strategic expectations. Special risks, including accounting, regulatory, compliance, information technology or human resources issues, may arise in connection with, or as a result of, the acquisition of an existing company, including the assumption of unanticipated liabilities and contingencies, difficulties in integrating acquired businesses, possible management distractions, or the inability of the acquired business to achieve the levels of revenue, profit, productivity or synergies we anticipate or otherwise perform as we expect on the timeline contemplated. We are unable to predict all of the risks that could arise as a result of our acquisitions.

If the performance of an acquired business, including our January 2021 acquisition of the majority of Kuehne + Nagel's logistics operations in the U.K., varies from our projections or assumptions, or if estimates about the future profitability of an acquired business change, our revenues, earnings or other aspects of our financial condition could be adversely affected. We may also experience difficulties in connection with integrating any acquired companies into our existing businesses and operations, including our existing infrastructure and information technology systems. The infrastructure and information technology systems of acquired companies could present issues that we were unable to identify prior to the acquisition and that could adversely affect our financial condition and results; we have experienced challenges of this nature relating to the infrastructure and systems of certain past companies that we acquired. Also, we may not realize all of the synergies we anticipate from past and potential future acquisitions. Among the synergies that we currently expect to realize are cross-selling opportunities to our existing customers, network synergies and other operational synergies. Any of these events could adversely affect our financial condition and results of operations.

## We may not successfully manage our growth.

We have grown rapidly and substantially over prior years, including by expanding our internal resources, making acquisitions and entering into new markets, and we intend to continue to focus on rapid growth, including organic growth and additional acquisitions. We may experience difficulties and higher-than-expected expenses in executing this strategy as a result of unfamiliarity with new markets, changes in revenue and business models, entry into new geographic areas and increased pressure on our existing infrastructure and information technology systems.

Our growth will place a significant strain on our management, operational, financial and information technology resources. We will
need to continually improve existing procedures and controls, as well as implement new transaction processing, operational and
financial systems, and procedures and controls to expand, train and manage our employee base. Our working capital needs will continue
to increase as our operations grow. Failure to manage

our growth effectively, or obtain necessary working capital, could have a material adverse effect on our business, results of operations, cash flows and financial condition.

#### Our overseas operations are subject to various operational and financial risks that could adversely affect our business.

The services we provide outside the U.S. are subject to risks resulting from changes in tariffs, trade restrictions, trade agreements, tax policies, difficulties in managing or overseeing foreign operations and agents, different liability standards, issues related to compliance with anti-corruption laws, such as the Foreign Corrupt Practices Act and the U.K. Bribery Act, data protection, trade compliance, and intellectual property laws of countries that do not protect our rights relating to our intellectual property, including our proprietary information systems, to the same extent as do U.S. laws. The occurrence or consequences of any of these factors may restrict our ability to operate in the affected region or decrease the profitability of our operations in that region. In addition, as we expand our business in foreign countries, we will be exposed to increased risk of loss from foreign currency fluctuations and exchange controls.

# We are exposed to currency exchange rate fluctuations because a significant proportion of our assets, liabilities and earnings are denominated in foreign currencies.

We present our financial statements in U.S. dollars, but we have a significant proportion of our net assets and income in non-U.S. dollar currencies, primarily the euro and British pound sterling. Consequently, a depreciation of non-U.S. dollar currencies relative to the U.S. dollar could have an adverse impact on our financial results.

The economic uncertainties relating to eurozone monetary policies may cause the value of the euro to fluctuate against other currencies. Currency volatility contributes to variations in our sales of products and services in impacted jurisdictions. For example, in the event that one or more European countries were to replace the euro with another currency, our sales into such countries, or in Europe generally, would likely be adversely affected until stable exchange rates are established. Accordingly, fluctuations in currency exchange rates could adversely affect our business and financial condition in Europe and the business of the combined company.

# Our ability to successfully manage the costs and operational difficulties of adding new customers and business may negatively affect our financial condition and operations.

Establishing new customer relationships or adding operational sites for existing customers requires a significant amount of time, operational focus and capital. Although we typically partner with our new customers to ensure that onboarding is smooth and allocate costs appropriately, our inability to integrate new customers or operational sites into our technology systems or recruit additional employees to manage new customer relationships, or higher than anticipated costs to onboard new customers may negatively affect our financial condition or operations.

In addition, our operations can require a significant commitment of capital in the form of shelving, racking and other warehousing systems that may be required to implement warehouse solutions for our customers. These costs are often paid back by the customer over a specified period of time associated with the expected length of the customer relationship. To the extent that a customer defaults on its obligations under its agreement with us, we could be forced to take a significant loss on the unrecovered portion of this upfront capital cost.

# The contractual terms between us and our customers could expose us to penalties and costs in the event we do not meet the contractually prescribed performance levels.

We maintain long-term contracts with the majority of our customers, many of which include performance-based minimum levels of service. Although we manage our business to exceed prescribed performance levels, our inability to meet these service levels, due to labor shortages, volume peaks, our inability to procure temporary labor, technological malfunctions or other events that may or may not

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be within our control, may expose us to penalties or incremental costs or lead to the termination of customer contracts, all of which

could negatively affect our business and financial condition.

# Our operations are subject to seasonal fluctuations, and our inability to manage these fluctuations could negatively affect our business and our results of operations.

Many of our customers typically realize a significant portion of their sales in the fourth quarter of each year during the holiday season. Although not all of our customers experience the same seasonal variation, and some customers may have seasonal peaks that occur in periods other than the fourth quarter, the seasonality of our customers' businesses places higher demands on our services, requiring us to take measures, including temporarily expanding our workforce, to meet our customers' demands. Our failure to meet our customers' expectations during these seasonal peaks may negatively affect our customer relationships, could expose us to penalties under our contractual arrangements with customers and ultimately could negatively affect our business and our results of operations.

# The COVID-19 pandemic could have a material adverse effect on our business operations, results of operations, cash flows and financial position.

We are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business and geographies, including how it has and may continue to impact our customers, employees and other business partners. The COVID-19 pandemic has created significant volatility, uncertainty and economic disruption, which has and may continue to adversely affect our business operations and may materially and adversely affect our results of operations, cash flows and financial position.

The effects of the COVID-19 pandemic may remain prevalent for a significant period of time and may continue to adversely affect our business, results of operations and financial condition even after the COVID-19 outbreak has subsided. 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. Furthermore, the extent and pace of a recovery remains uncertain and may differ significantly among the countries in which we operate. We anticipate that our results of operations will continue to be impacted by this pandemic in 2021, and the pandemic could have a material impact on our results of operations and heighten many of our known risks described herein.

### Risks Related to Our Use of Technology

Our business will be seriously harmed if we fail to develop, implement, maintain, upgrade, enhance, protect and integrate our information technology systems, including those systems of any businesses that we acquire.

We rely heavily on our information technology systems in managing our business; they are a key component of our customer-facing services and internal growth strategy. In general, we expect our customers to continue to demand more sophisticated, fully integrated technology from their logistics providers. To keep pace with changing technologies and customer demands, we must correctly address market trends and enhance the features and functionality of our proprietary technology platform in response to these trends. This process of continuous enhancement may lead to significant ongoing software development costs, which will continue to increase if we pursue new acquisitions of companies and their current systems. In addition, we may fail to accurately determine the needs of our customers or trends in the logistics industry, or we may fail to respond appropriately by implementing functionality for our technology platform in a timely or cost-effective manner. Any such failures could result in decreased demand for our services and a corresponding decrease in our revenues.

We must ensure that our information technology systems remain competitive. If our information technology systems are unable to manage high volumes with reliability, accuracy and speed as we grow, or if such systems are not suited to manage the various services we offer, our service levels and operating efficiency could decline. In addition, if we fail to hire and retain qualified personnel to implement, protect and maintain our information technology systems, or if we fail to enhance our systems to meet our customers' needs, our results of operations could be seriously harmed.

Our technology may not be successful or may not achieve the desired results, and we may require additional training or different personnel to successfully implement this technology. Our technology development process may be subject to cost overruns or delays in obtaining the expected results, which may result in disruptions to our operations.

A failure of our information technology infrastructure or a breach of our information systems, networks or processes may materially adversely affect our business.

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage our sales and marketing, financial, legal and compliance functions, engineering and product development tasks, research and development data, communications, logistics order entry and fulfillment and other business processes. We also rely on third parties and virtualized infrastructure to operate our information technology systems. Despite significant testing for risk management, external and internal risks, such as malware, insecure coding, "Acts of God," data leakage and human error pose a direct threat to the stability or effectiveness of our information technology systems and operations. The failure of our information technology systems to perform as we anticipate could adversely affect our business through transaction errors, billing and invoicing errors, internal recordkeeping and reporting errors, processing inefficiencies and loss of sales, receivables collection or customers. Any such failure could result in harm to our reputation and have an ongoing adverse impact on our business, results of operations and financial condition, including after the underlying failures have been remedied.

We may also be subject to cybersecurity attacks and other intentional hacking. Any failure to identify and address such defects or errors or prevent a cyber-attack could result in service interruptions, operational difficulties, loss of revenues or market share, liability to our customers or others, the diversion of corporate resources, injury to our reputation or increased service and maintenance costs. Addressing such issues could prove to be impossible or very costly and responding to the resulting claims or liability could similarly involve substantial cost. In addition, recently, regulatory and enforcement focus on data protection has heightened in the U.S. and abroad, particularly in the EU, and failure to comply with applicable U.S. or foreign data protection regulations or other data protection standards may expose us to litigation, fines, sanctions or other penalties, which could harm our business, its reputation, results of operations and financial condition.

Issues related to the intellectual property rights on which our business depends, whether related to our failure to enforce our own rights or infringement claims brought by others, could have a material adverse effect on our business, financial condition and results of operations.

We use both internally developed and purchased technologies in conducting our business. Whether internally developed or purchased, it is possible that users of these technologies could be claimed to infringe upon or violate the intellectual property rights of third parties. In the event that a claim is made against us by a third-party for the infringement of intellectual property rights, a settlement or adverse judgment against us could result in increased costs to license the technology or a legal prohibition against our using the technology. Thus, our failure to obtain, maintain or enforce our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

We rely on a combination of intellectual property rights, including patents, copyrights, trademarks, domain names, trade secrets, intellectual property licenses and other contractual rights, to protect our intellectual property and technology. Any of our owned or licensed intellectual property rights could be challenged, invalidated, circumvented, infringed or misappropriated; our trade secrets and other confidential information could be disclosed in an unauthorized manner to third parties; or we may fail to secure the rights to intellectual property developed by our employees, contractors and others. Efforts to enforce our intellectual property rights may be time-consuming and costly, distract management's attention, divert our resources and ultimately be unsuccessful. Moreover, should we fail to develop and properly manage future intellectual property, this could adversely affect our market positions and business opportunities.

### Risks Related to Third-Party Relationships

Our business may be materially adversely affected by labor disputes or organizing efforts.

Labor disputes involving our customers could affect our operations. If our customers experience plant slowdowns or closures
because they are unable to negotiate labor contracts, our revenue and profitability could be negatively impacted. In particular, we derive
a substantial portion of our revenue from the operation and management of facilities that are often located in close proximity to a
customer's manufacturing plant and are

integrated into the customer's production line process. If any of our customers are affected by labor disputes and consequently cease or significantly modify their operations at a plant served by us, we may experience significant revenue loss and shutdown costs, including costs related to early termination of leases, causing our business to suffer.

In Europe, our business activities rely on a large amount of labor, including a number of workers who are affiliated with trade unions and other staff representative institutions. It is essential that we maintain good relations with employees, trade unions and other staff representative institutions. A deteriorating economic environment may result in tensions in industrial relations, which may lead to industrial action within our European operations; this could have a direct impact on our business operations. Generally, any deterioration in industrial relations in our European operations, such as general strike activities or other material labor disputes, could have an adverse effect on our revenues, earnings, financial position and outlook.

Although our work force in the United States is not unionized, labor unions have, from time to time, attempted to organize our employees. Successful unionization by our employees or organizing efforts could lead to business interruptions, work stoppages and the reduction of service levels due to work rules that could have an adverse effect on our customer relationships and our revenues, earnings, financial position and outlook.

Our business uses a large number of temporary workers in our operations. Any failure to properly manage our temporary workers could have a material adverse impact on our revenues, earnings, financial position and outlook.

We make significant use of temporary staff. We cannot guarantee that temporary workers are as well-trained as our other employees. Specifically, we may be exposed to the risk that temporary workers may not perform their assignments in a satisfactory manner or may not comply with our safety rules in an appropriate manner, whether as a result of their lack of experience or otherwise. If such risks materialize, they could have a material adverse effect on our business and financial condition.

### Risks Related to Litigation and Regulations

From time to time, we are involved in lawsuits and are subject to various claims that could result in significant expenditures and impact our operations.

The nature of our business exposes us to the potential for various types of claims and litigation. We are subject to claims and litigation related to labor and employment, personal injury, vehicular accidents, cargo and other property damage, business practices, environmental liability and other matters, including with respect to claims asserted under various other theories of agency or employer liability. Claims against us may exceed the amount of insurance coverage that we have or may not be covered by insurance at all. Businesses that we acquire also increase our exposure to litigation. Material increases in liability claims or workers' compensation claims, or the unfavorable resolution of claims, or our failure to recover, in full or in part, under indemnity provisions could materially and adversely affect our operating results. In addition, significant increases in insurance costs or the inability to purchase insurance as a result of these claims could reduce our profitability.

We are subject to risks associated with defined benefit plans for our current and former employees, which could have a material adverse effect on our earnings and financial position.

We maintain defined benefit pension plans and a postretirement medical plan. Our defined benefit pension plans include funded and unfunded plans in the U.S. and the U.K. A decline in interest rates or lower returns on funded plan assets may cause increases in the expense and funding requirements for these defined benefit pension plans and for our postretirement medical plan. Despite past amendments that froze our defined benefit pension plans to new participants and curtailed benefits, these pension plans remain subject to volatility associated with interest rates, inflation, returns on plan assets, other actuarial assumptions and statutory funding requirements. In addition to being subject to volatility associated with interest rates, our postretirement medical plan remains subject to

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volatility associated with actuarial assumptions and trends in healthcare costs. Any of the aforementioned factors could lead to a

significant increase in the expense of these plans and a deterioration in the solvency of these plans, which could

significantly increase our contribution requirements. As a result, we are unable to predict the effect on our financial statements associated with our defined benefit pension plans and our postretirement medical plan.

#### Changes in income tax regulations for U.S. and multinational companies may increase our tax liability.

The U.S. Congress, the Organization for Economic Co-operation and Development ("OECD"), the EU, and other government agencies in jurisdictions in which we and our affiliates do business have maintained a focus on the taxation of multinational companies. The OECD has recommended changes to numerous long-standing international tax principles through its base erosion and profit shifting ("BEPS") project. These and other tax laws and related regulation changes, to the extent adopted, may increase tax uncertainty, result in higher compliance cost and adversely affect our provision for income taxes, results of operations and/or cash flow.

## We are subject to regulation, which could negatively impact our business.

Our operations are regulated and licensed by various governmental agencies at the local, state and federal levels in the U.S. and in the foreign countries where we operate. These regulatory agencies have authority and oversight of domestic and international activities. Our subsidiaries must also comply with applicable regulations and requirements of various agencies.

The regulatory landscape in which we operate is constantly evolving and subject to significant change, including as a result of evolving political and social attitudes. Future laws, regulations and regulatory reforms, including without limitation future laws and regulations related to increased minimum wages, the expansion of union organization rights or changes in the classification of employees and independent contractors, may be more stringent and may require changes to our operating practices that influence the demand for our services or require us to incur significant additional costs. We are unable to predict the impact that recently enacted and future regulations may have on our business. If higher costs are incurred by us as a result of future changes in regulations, this could adversely affect our results of operations to the extent we are unable to obtain a corresponding increase in price from our customers.

Proposed or pending legislative or regulatory changes, or future legislative or regulatory changes, at the federal, state or local level could decrease demand for our services, increase our costs, including our labor costs, and negatively affect our business and our results of operations.

Our business is subject to possible regulatory and legislative changes that may impact our operations, including but not limited to changes that would encourage workers to unionize, make it easier for workers to collectively bargain, increase operational requirements on our business or mandate certain restrictions on the use of individual workers, including how often they can work or how long they can work in any individual shift. Any and all of these changes or other similar changes could have significant implications for our business model, including increasing our labor costs, reducing our operational flexibility and depressing our ability to meet our customers' expectations and demands, all of which would negatively affect our business and our results of operations.

The enactment of proposed or future legislation by Congress could change union organization rights, resulting in increased efforts by workers to unionize. If such legislation is enacted at the federal, state or local level, such efforts could distract our management team, result in business interruptions, work stoppages and the reduction of service levels due to work rules that could have an adverse effect on our customer relationships and our revenues, earnings, financial position and outlook, and could adversely affect our business by increasing our labor costs. Recent regulatory proposals and statements by the Biden administration suggest that certain regulatory bodies, including the National Labor Relations Board, Occupational Safety and Health Administration ("OSHA") and the Equal Employment Opportunity Commission, may promulgate regulations that could limit our operational flexibility. If such regulations are adopted, they could increase our cost of operations or hinder our ability to meet our customers' expectations and demands, either of which would negatively affect our business and our results of operations.

Additionally, significant regulatory changes at the federal, state or local level may negatively affect economic output, cause growth to slow, reduce consumer spending and sentiment and result in weaker demand for our services, negatively affecting our business and our results of operations.
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## Risks Related to the Separation and Distribution

We have no history of operating as an independent company, and our historical and pro forma financial information is not necessarily representative of the results that we would have achieved as a separate, publicly traded company and may not be a reliable indicator of our future results.

The historical information about GXO in this information statement refers to the GXO Businesses as operated by and integrated with XPO. Our historical financial information included in this information statement is derived from XPO's accounting records and is presented on a standalone basis as if the GXO Businesses have been conducted independently from XPO. Additionally, the pro forma financial information included in this information statement is derived from our historical financial information and (i) gives effect to the separation and (ii) reflects GXO's anticipated post-separation capital structure, including the assignment of certain assets and assumption of certain liabilities not included in the historical financial statements. Accordingly, the historical and pro forma financial information does not necessarily reflect the financial condition, results of operations or cash flows that we would have achieved as a separate, publicly traded company during the periods presented or those that we will achieve in the future primarily as a result of the factors described below:

- Generally, our working capital requirements and capital for our general corporate purposes, including capital expenditures and acquisitions, have historically been satisfied as part of the corporate-wide cash management policies of XPO. Following the completion of the distribution, our results of operations and cash flows are likely to be more volatile, and we may need to obtain additional financing from banks, through public offerings or private placements of debt or equity securities, strategic relationships or other arrangements, which may or may not be available and may be more costly.
- Prior to the distribution, our business has been operated by XPO as part of its broader corporate organization, rather than as an independent company. XPO or one of its affiliates performed various corporate functions for us, such as legal, treasury, accounting, auditing, human resources, investor relations, and finance. Our historical and pro forma financial results reflect allocations of corporate expenses from XPO for such functions, which may be less than the expenses we would have incurred had we operated as a separate, publicly traded company.
- Currently, our business is integrated with the other businesses of XPO. Historically, we have shared economies of scope and
  scale in costs, employees, vendor relationships and customer relationships. While we have sought to minimize the impact on
  GXO when separating these arrangements, there is no guarantee these arrangements will continue to capture these benefits in
  the future.
- As a current part of XPO, we take advantage of XPO's overall size and scope to obtain more advantageous procurement terms. After the distribution, as a standalone company, we may be unable to obtain similar arrangements to the same extent that XPO did, or on terms as favorable as those XPO obtained, prior to completion of the distribution.
- After the completion of the distribution, the cost of capital for our business may be higher than XPO's cost of capital prior to the distribution.
- Our historical financial information does not reflect the debt that we will incur as part of the distribution.
- As an independent public company, we will separately become subject to, among other things, the reporting requirements of the Securities Exchange Act of 1934, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the regulations of the NYSE and will be required to prepare our standalone financial statements according to the rules and regulations required by the SEC. These reporting and other obligations will place significant demands on our management and administrative and operational resources. Moreover, to comply with these requirements, we anticipate that we will need to

migrate our systems, including information technology systems, implement additional financial and management controls, reporting systems and procedures and hire additional accounting and finance staff. We expect to incur additional annual expenses related to these steps, and those expenses may be significant. If we are unable to implement our financial and management controls, reporting systems, information technology

and procedures in a timely and effective fashion, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies under the Securities Exchange Act of 1934 could be impaired.

Other significant changes may occur in our cost structure, management, financing and business operations as a result of operating as a company separate from XPO. For additional information about the past financial performance of our business and the basis of presentation of the historical combined financial statements and the unaudited pro forma condensed combined financial statements of our business, see "Unaudited Pro Forma Condensed Combined Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements and accompanying notes included elsewhere in this information statement.

# Following the separation and distribution, our financial profile will change, and we will be a smaller, less diversified company than XPO prior to the separation.

The separation will result in each of XPO and GXO being smaller, less diversified companies with more limited businesses concentrated in their respective industries. As a result, our company may be more vulnerable to changing market conditions, which could have a material adverse effect on our business, financial condition and results of operations. In addition, the diversification of our revenues, costs, and cash flows will diminish as a standalone company, such that our results of operations, cash flows, working capital and financing requirements may be subject to increased volatility and our ability to fund capital expenditures and investments, pay dividends and service debt may be diminished. Following the separation, we may also lose capital allocation efficiency and flexibility, as we will no longer be able to use cash flow from XPO to fund our investments into one of our other businesses.

# We may not achieve some or all of the expected benefits of the separation and distribution, and the separation and distribution may materially adversely affect our business.

We may not be able to achieve the full strategic and financial benefits expected to result from the separation and distribution, or such benefits may be delayed or not occur at all. The distribution is expected to provide a number of benefits, including those described elsewhere in this information statement.

We may not achieve these and other anticipated benefits for a variety of reasons, including, among others: (i) the separation will demand significant management resources and require significant amounts of management's time and effort, which may divert management's attention from operating and growing our business; (ii) following the separation, we may be more susceptible to market fluctuations and other adverse events than if we were still a part of XPO because our business will be less diversified than XPO's business prior to the completion of the separation; (iii) after the separation, as a standalone company, we may be unable to obtain certain goods, services and technologies at prices or on terms as favorable as those XPO obtained prior to completion of the separation; (iv) the separation may require us to pay costs that could be substantial and material to our financial resources, including insurance, accounting, tax, legal and other professional services costs, recruiting and relocation costs associated with hiring key senior management and personnel new to GXO, tax costs and costs to separate information systems; (v) under the terms of the tax matters agreement that we will enter into with XPO, we will be restricted from taking certain actions that could cause the distribution or certain related transactions (or certain transactions undertaken as part of the internal reorganization) to fail to qualify as tax-free, and these restrictions may limit us for a period of time from pursuing certain strategic transactions and equity issuances or engaging in other transactions that might increase the value of our business; and (vi) after the separation, we cannot predict the trading prices of GXO common stock or know whether the combined value of one share of our common stock and one share of XPO common stock will be less than, equal to or greater than the market value of one share of XPO common stock prior to the distribution. If we fail to achieve some or all of the benefits expected to result from the separation, or if such benefits are delayed, it could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

XPO's plan to separate into two independent, publicly traded companies is subject to various risks and uncertainties and may not be completed in accordance with the expected plans or anticipated timeline, or at all, and will involve significant time and expense, which could disrupt or adversely affect our business.

XPO's separation into two independent, publicly traded companies is complex in nature, and unanticipated developments or changes, including changes in the law, the macroeconomic environment, competitive conditions of XPO's markets, regulatory approvals or clearances, the uncertainty of the financial markets and challenges in executing the separation, could delay or prevent the completion of the proposed separation, or cause the separation to occur on terms or conditions that are different or less favorable than expected. Additionally, the XPO board of directors, in its sole and absolute discretion, may decide not to proceed with the distribution at any time prior to the distribution date.

The process of completing the proposed separation has been and is expected to continue to be time-consuming and involves significant costs and expenses. The separation costs may be significantly higher than what we currently anticipate and may not yield a discernible benefit if the separation is not completed or is not well executed, or the expected benefits of the separation are not realized. Executing the proposed separation will also require significant amounts of management's time and effort, which may divert management's attention from operating and growing our business. Other challenges associated with effectively executing the separation include attracting, retaining and motivating employees during the pendency of the separation and following its completion; addressing disruptions to our supply chain, manufacturing, sales and distribution, and other operations resulting from separating XPO into two independent companies; and separating XPO's information systems.

Challenges in the commercial and credit environment may adversely affect the expected benefits of the separation, the expected plans or anticipated timeline to complete the separation and our future access to capital on favorable terms.

Volatility in the world financial markets could increase borrowing costs or affect our ability to access the capital markets. Our ability to issue debt or enter into other financing arrangements on acceptable terms could be adversely affected if there is a material decline in the demand for our services or in the solvency of our customers or suppliers or if there are other significantly unfavorable changes in economic conditions. These conditions may adversely affect our anticipated timeline to complete the separation and the expected benefits of the separation, including by increasing the time and expense involved in the separation.

We have incurred debt obligations, and may in the future incur additional debt obligations, that could adversely affect our business and profitability and our ability to meet other obligations.

In connection with the distribution, in June 2021, GXO entered into a Revolving Credit Agreement providing for an \$800 million unsecured, unsubordinated five-year revolving credit facility. Additionally, in July 2021, GXO issued \$800 million of unsecured, unsubordinated notes in two series. GXO expects to transfer all or a portion of the net proceeds of the notes and other cash and cash equivalents to XPO, which XPO intends to use to repay existing indebtedness. As a result of such transactions, GXO anticipates having approximately \$800 million of outstanding indebtedness upon completion of the distribution (excluding finance leases and intercompany liabilities and any borrowings under the Revolving Credit Facility). See "Description of Material Indebtedness." We may also incur additional indebtedness in the future.

This significant amount of debt could potentially have important consequences to us and our debt and equity investors, including:

- requiring a substantial portion of our cash flow from operations to make interest payments;
- making it more difficult to satisfy debt service and other obligations;
- increasing the risk of a future credit ratings downgrade of our debt, which could increase future debt costs and limit the future availability of debt financing;

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increasing our vulnerability to adverse economic and industry conditions;

- · reducing the cash flow available to fund capital expenditures and other corporate purposes and to grow our business;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry;
- · placing us at a competitive disadvantage relative to our competitors that may not be as highly leveraged with debt; and
- limiting our ability to borrow additional funds as needed or take advantage of business opportunities as they arise, pay cash dividends or repurchase common shares.

To the extent that we incur additional indebtedness, the foregoing risks could increase. In addition, our actual cash requirements in the future may be greater than expected. Our cash flow from operations may not be sufficient to repay all of the outstanding debt as it becomes due, and we may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms, or at all, to refinance our debt.

We could experience temporary interruptions in business operations and incur additional costs as we build our information technology infrastructure and transition our data to our own systems.

We are in the process of creating our own, or engaging third parties to provide, information technology infrastructure and systems to support our critical business functions, including accounting and reporting, in order to replace many of the systems XPO currently provides to us. We may incur temporary interruptions in business operations if we cannot transition effectively from XPO's existing operating systems, databases and programming languages that support these functions to our own systems. Our failure to implement the new systems and transition our data successfully and cost-effectively could disrupt our business operations and have a material adverse effect on our profitability. In addition, our costs for the operation of these systems may be higher than the amounts reflected in our historical combined financial statements.

Our accounting, tax and other management systems and resources may not be adequately prepared to meet the financial reporting and other requirements to which we will be subject as a standalone, publicly traded company following the separation and distribution.

Our financial results previously were included within the combined results of XPO, and we believe that our reporting and control systems were appropriate for those of subsidiaries of a public company. However, we were not directly subject to the reporting and other requirements of the Securities Exchange Act of 1934. As a result of the distribution, we will be directly subject to reporting and other obligations under the Securities Exchange Act of 1934, including the requirements of Section 404 of the Sarbanes-Oxley Act, which will require annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm addressing these assessments. These reporting and other obligations will place significant demands on our management and administrative and operational resources, including accounting resources. We may not have sufficient time following the separation to meet these obligations by the applicable deadlines.

Moreover, to comply with these requirements, we anticipate that we will need to migrate our systems, including information technology systems, implement additional financial and management controls, reporting systems and procedures and hire additional accounting, tax and finance staff. We expect to incur additional annual expenses related to these steps, and those expenses may be significant. If we are unable to implement our financial and management controls, reporting systems, information technology and procedures in a timely and effective fashion, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies under the Securities Exchange Act of 1934 could be impaired. In the event we are unable to implement a sufficient tax reporting system and related processes, we may be unable to comply with tax law and face penalties associated with our lack of compliance. Any failure to achieve and maintain effective internal controls could result in adverse regulatory consequences and/or loss

of investor confidence, which could limit GXO's ability to access the global capital markets and could have a material adverse effect or our business, financial condition, results of operations, cash flows or the market price of GXO securities.			
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In connection with the separation into two public companies, each of XPO and GXO will indemnify each other for certain liabilities. If we are required to pay under these indemnities to XPO, our financial results could be negatively impacted. The XPO indemnities may not be sufficient to hold us harmless from the full amount of liabilities for which XPO will be allocated responsibility, and XPO may not be able to satisfy its indemnification obligations in the future.

Pursuant to the separation agreement and certain other agreements between XPO and GXO, each party will agree to indemnify the other for certain liabilities, in each case for uncapped amounts, as discussed further in the section titled "Certain Relationships and Related Party Transactions—Separation Agreement" of this information statement. Indemnities that we may be required to provide XPO are not subject to any cap, may be significant and could negatively impact our business. Third parties could also seek to hold us responsible for any of the liabilities that XPO has agreed to retain. Any amounts we are required to pay pursuant to these indemnification obligations and other liabilities could require us to divert cash that would otherwise have been used in furtherance of our operating business. Further, the indemnities from XPO for our benefit may not be sufficient to protect us against the full amount of such liabilities, and XPO may not be able to fully satisfy its indemnification obligations.

Moreover, even if we ultimately succeed in recovering from XPO any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves. Each of these risks could negatively affect our business, results of operations and financial condition.

XPO may fail to perform under various transaction agreements that will be executed as part of the separation, or we may fail to have necessary systems and services in place when certain of the transaction agreements expire.

In connection with the separation and prior to the distribution, GXO and XPO will enter into the separation agreement and will also enter into various other agreements, including a transition services agreement, a tax matters agreement, an employee matters agreement and an intellectual property license agreement. The separation agreement, the tax matters agreement, the employee matters agreement and the intellectual property license agreement, together with the documents and agreements by which the internal reorganization will be effected, will determine the allocation of assets and liabilities between the companies following the separation for those respective areas and will include any necessary indemnifications related to liabilities and obligations. The transition services agreement will provide for the performance of certain services by each company for the benefit of the other for a period of time after the separation. GXO will rely on XPO to satisfy its performance and payment obligations under these agreements. If XPO is unable or unwilling to satisfy its obligations under these agreements, including its indemnification obligations, we could incur operational difficulties and/or losses. If we do not have in place our own systems and services, or if we do not have agreements with other providers of these services once certain transaction agreements expire, we may not be able to operate our business effectively, and our profitability may decline. We are in the process of creating our own, or engaging third parties to provide, systems and services to replace many of the systems and services that XPO currently provides to us. However, we may not be successful in implementation of these systems and services in a timely manner or at all, we may incur additional costs in connection with, or following, the implementation of these systems and services, and we may not be successful in transitioning data from XPO's systems to ours.

We may be held liable to XPO if we fail to perform certain services under the transition services agreement, and the performance of such services may negatively impact our business and operations.

In connection with the separation, GXO and XPO will enter into a transition services agreement that will provide for the performance of certain services by each company for the benefit of the other for a period of time after the separation. If we do not satisfactorily perform our obligations under the agreement, we may be held liable for any resulting losses suffered by XPO, subject to certain limits. In addition, during the transition services periods, our management and employees may be required to divert their attention away from our business in order to provide services to XPO, which could adversely affect our business.

The terms we will receive in our agreements with XPO could be less beneficial than the terms we may have otherwise received from unaffiliated third parties.

The agreements we will enter into with XPO in connection with the separation, including the separation agreement, a transition services agreement, a tax matters agreement, an employee matters agreement and an intellectual property license agreement, were prepared in the context of the separation while we were still a wholly owned subsidiary of XPO. Accordingly, during the period in which the terms of those agreements were prepared, we did not have an independent board of directors or a management team that was independent of XPO. As a result, the terms of those agreements may not reflect terms that would have resulted from arm's-length negotiations between unaffiliated third parties. See "Certain Relationships and Related Party Transactions."

If the distribution, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, we, as well as XPO and XPO's stockholders, could be subject to significant tax liabilities, and, in certain circumstances, we could be required to indemnify XPO for material amounts of taxes and other related amounts pursuant to indemnification obligations under the tax matters agreement. In addition, if certain internal restructuring transactions were to fail to qualify as transactions that are generally tax-free for U.S. federal or non-U.S. income tax purposes, we, as well as XPO, could be subject to significant tax liabilities.

It is a condition to the distribution that XPO receives an opinion of its outside counsel, satisfactory to the XPO board of directors, regarding the qualification of the distribution, together with certain related transactions, as a "reorganization" within the meaning of Sections 355 and 368(a)(1)(D) of the Code. The opinion of counsel will be based upon and rely on, among other things, various facts and assumptions, as well as certain representations, statements and undertakings of XPO and GXO, including those relating to the past and future conduct of XPO and GXO. If any of these facts, assumptions, representations, statements or undertakings is, or becomes, inaccurate or incomplete, or if XPO or GXO breaches any of its representations or covenants contained in the separation agreement and certain other agreements and documents or in any documents relating to the opinion of counsel, the opinion of counsel may be invalid and the conclusions reached therein could be jeopardized.

Notwithstanding receipt of the opinion of counsel, the U.S. Internal Revenue Service (the "IRS") could determine that the distribution and/or certain related transactions should be treated as taxable transactions for U.S. federal income tax purposes if it determines that any of the representations, assumptions or undertakings upon which the opinion of counsel was based are false or have been violated. In addition, the opinion of counsel will represent the judgment of such counsel and will not be binding on the IRS or any court, and the IRS or a court may disagree with the conclusions in the opinion of counsel. Accordingly, notwithstanding receipt of the opinion of counsel, there can be no assurance that the IRS will not assert that the distribution and/or certain related transactions do not qualify for tax-free treatment for U.S. federal income tax purposes or that a court would not sustain such a challenge. In the event the IRS were to prevail with such challenge, we, as well as XPO and XPO's stockholders, could be subject to significant U.S. federal income tax liability.

If the distribution, together with certain related transactions, were to fail to qualify as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code, in general, for U.S. federal income tax purposes, XPO would recognize taxable gain as if it had sold the GXO common stock in a taxable sale for its fair market value (unless XPO and we jointly make an election under Section 336(e) of the Code with respect to the distribution, in which case, in general, (a) the XPO group would recognize taxable gain as if we had sold all of our assets in a taxable sale in exchange for an amount equal to the fair market value of GXO common stock and the assumption of all our liabilities and (b) we would obtain a related step-up in the tax basis of our assets), and XPO stockholders who receive such GXO shares in the distribution would be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares. For more information, see "Material U.S. Federal Income Tax Consequences."

In addition, as part of the separation, and prior to the distribution, XPO and its subsidiaries expect to complete the internal
reorganization, and XPO, GXO and their respective subsidiaries expect to incur certain tax costs in connection with the internal
reorganization, including non-U.S. tax costs resulting from transactions in non-U.S. jurisdictions, which may be material. With respect
to certain transactions undertaken as part of the internal

reorganization, XPO intends to obtain opinions of external tax advisors, in each case, regarding the tax treatment of such transactions. Such opinions will be based upon and rely on, among other things, various facts and assumptions, as well as certain representations, statements and undertakings of XPO, GXO or their respective subsidiaries. If any of these representations or statements is, or becomes, inaccurate or incomplete, or if XPO, GXO or their respective subsidiaries do not fulfill or otherwise comply with any such undertakings or covenants, such opinions may be invalid or the conclusions reached therein could be jeopardized. Further, notwithstanding receipt of any such tax opinions, there can be no assurance that the relevant taxing authorities will not assert that the tax treatment of the relevant transactions differs from the conclusions reached in the relevant tax opinions. In the event any such tax opinions cannot be obtained or the relevant taxing authorities prevail with any challenge in respect of any relevant transaction, XPO, GXO and their subsidiaries could be subject to significant tax liabilities.

Under the tax matters agreement to be entered into between XPO and GXO in connection with the separation, we generally would be required to indemnify XPO for any taxes resulting from the separation (and any related costs and other damages) to the extent such amounts resulted from (i) an acquisition of all or a portion of the equity securities or assets of GXO, whether by merger or otherwise (and regardless of whether we participated in or otherwise facilitated the acquisition), (ii) certain other actions or failures to act by GXO, or (iii) any breach of GXO's covenants or undertakings contained in the separation agreement and certain other agreements and documents. Further, under the tax matters agreement, we generally would be required to indemnify XPO for a specified portion of any taxes (and any related costs and other damages) arising as a result of the failure of the distribution and certain related transactions to qualify as a transaction that is generally tax-free (including as a result of Section 355(e) of the Code) or a failure of any internal distribution that is intended to qualify as a transaction that is generally tax-free to so qualify, in each case, to the extent such amounts did not result from a disqualifying action by, or acquisition of equity securities of, XPO or GXO. Any such indemnity obligations could be material. For a more detailed discussion, see "Certain Relationships and Related Party Transactions—Tax Matters Agreement."

## We may not be able to engage in desirable capital-raising or strategic transactions following the separation.

Under current U.S. federal income tax law, a spin-off that otherwise qualifies for tax-free treatment can be rendered taxable to the parent corporation and its stockholders as a result of certain post-spin-off transactions, including certain acquisitions of shares or assets of the spun-off corporation. For example, a spin-off may result in taxable gain to the parent corporation under Section 355(e) of the Code if it were later deemed to be part of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, shares representing a 50 percent or greater interest (by vote or value) in the spun-off corporation. To preserve the U.S. federal income tax treatment of the separation and distribution, and in addition to our indemnity obligation described above, the tax matters agreement will restrict us, for the two-year period following the distribution, except in specific circumstances, from, among other things: (i) ceasing to actively conduct certain of our businesses; (ii) entering into certain transactions or series of transactions pursuant to which all or a portion of the shares of GXO stock would be acquired, whether by merger or otherwise; (iii) liquidating or merging or consolidating with any other person; (iv) issuing equity securities beyond certain thresholds; (v) repurchasing shares of GXO stock other than in certain open-market transactions; or (vi) taking or failing to take any other action that would jeopardize the expected U.S. federal income tax treatment of the distribution and certain related transactions. Further, the tax matters agreement will impose similar restrictions on us and our subsidiaries during the two-year period following the distribution that are intended to prevent certain transactions undertaken as part of the internal reorganization from failing to qualify as transactions that are generally tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code or for applicable non-U.S. income tax purposes. These restrictions may limit our ability to pursue certain equity issuances, strategic transactions, repurchases or other transactions that we may otherwise believe to be in the best interests of our stockholders or that might increase the value of our business. Also, we may be responsible for liabilities arising from the failure of the distribution, together with certain related transactions, to qualify for tax-free treatment (see the discussion under the section titled "Certain Relationships and Related Party Transactions—Tax Matters Agreement"), and our indemnity obligations for such liabilities under the tax matters agreement, may discourage, delay, or prevent certain third parties

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from acquiring us. For more information, see the sections titled "Certain Relationships and Related Party Transactions—Tax Matters

Agreement" and "Material U.S. Federal Income Tax Consequences."

The transfer to us of certain contracts, permits and other assets and rights may require the consents or approvals of, or provide other rights to, third parties and governmental authorities. If such consents or approvals are not obtained, we may not be entitled to the benefit of such contracts, permits and other assets and rights, which could increase our expenses or otherwise harm our business and financial performance.

The separation agreement will provide that certain contracts, permits and other assets and rights are to be transferred from XPO or its subsidiaries to GXO or its subsidiaries in connection with the separation. The transfer of certain of these contracts, permits and other assets and rights may require consents or approvals of third parties or governmental authorities or provide other rights to third parties. In addition, in some circumstances, we and XPO are joint beneficiaries of contracts, and we and XPO may need the consents of third parties in order to split or separate the existing contracts or the relevant portion of the existing contracts to us or XPO.

Some parties may use consent requirements or other rights to seek to terminate contracts or obtain more favorable contractual terms from us, which, for example, could take the form of adverse price changes, require us to expend additional resources in order to obtain the services or assets previously provided under the contract or require us to seek arrangements with new third parties or obtain letters of credit or other forms of credit support. If we are unable to obtain required consents or approvals, we may be unable to obtain the benefits, permits, assets and contractual commitments that are intended to be allocated to us as part of our separation from XPO, and we may be required to seek alternative arrangements to obtain services and assets which may be more costly and/or of lower quality. The termination or modification of these contracts or permits or the failure to timely complete the transfer or separation of these contracts or permits could negatively impact our business, financial condition, results of operations and cash flows.

Until the distribution occurs, the XPO board of directors has sole and absolute discretion to change the terms of the separation and distribution in ways that may be unfavorable to us.

Until the distribution occurs, GXO will be a wholly-owned subsidiary of XPO. Accordingly, the XPO board of directors will have the sole and absolute discretion to determine and change the terms of the separation, including the establishment of the record date for the distribution and the distribution date. These changes could be unfavorable to us. In addition, the XPO board of directors, in its sole and absolute discretion, may decide not to proceed with the distribution at any time prior to the distribution date.

No vote of XPO stockholders is required in connection with the distribution. As a result, if you do not want to receive our common stock in the distribution, your sole recourse will be to divest yourself of your XPO common stock prior to the record date for the distribution.

No vote of XPO stockholders is required in connection with the distribution. Accordingly, if you do not want to receive our common stock in the distribution, your only recourse will be to divest yourself of your XPO common stock prior to the record date for the distribution.

#### **Risks Related to Our Common Stock**

We cannot be certain that an active trading market for our common stock will develop or be sustained after the distribution and, following the distribution, our stock price may fluctuate significantly.

A public market for our common stock does not currently exist. We anticipate that on or prior to the record date for the distribution, trading of shares of our common stock will begin on a "when-issued" basis and will continue up to the distribution date. However, we cannot guarantee that an active trading market will develop or be sustained for our common stock after the distribution, nor can we predict the prices at which shares of our common stock may trade after the distribution. Similarly, we cannot predict the effect of the distribution on the trading prices of our common stock or whether the combined market value of one share of our common stock and

one share of XPO common stock will be less than	, equal to or greater than th	ne market value of one shar	e of XPO common stock prior to
the distribution.			

Until the market has fully evaluated XPO's businesses without GXO, the price at which each share of XPO common stock trades may fluctuate more significantly than might otherwise be typical, even with other market

conditions, including general volatility, held constant. Similarly, until the market has fully evaluated our business as a standalone entity, the prices at which shares of our common stock trade may fluctuate more significantly than might otherwise be typical, even with other market conditions, including general volatility, held constant. The increased volatility of our stock price following the distribution may have a material adverse effect on our business, financial condition and results of operations. The market price of our common stock may fluctuate significantly due to a number of factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in our operating results;
- changes in earnings estimated by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of comparable companies;
- changes to the regulatory and legal environment under which we operate;
- actual or anticipated fluctuations in commodities prices; and
- domestic and worldwide economic conditions.

## There may be substantial and rapid changes in our stockholder base, which may cause our stock price to fluctuate significantly.

Many investors holding shares of XPO common stock may hold that stock because of a decision to invest in a company with XPO's profile. Following the distribution, the shares of GXO common stock held by those investors will represent an investment in a company with a different profile. This may not be aligned with a holder's investment strategy and may cause the holder to sell the shares rapidly. As a result, the price of GXO common stock may decline or experience volatility as GXO's stockholder base changes.

# A significant number of shares of our common stock may be sold following the distribution, which may cause our stock price to decline.

Any sales of substantial amounts of our common stock in the public market or the perception that such sales might occur, in connection with the distribution or otherwise, may cause the market price of our common stock to decline. Upon completion of the distribution, we expect that we will have an aggregate of approximately 114,602,061 shares of our common stock issued and outstanding. Shares distributed to XPO stockholders in the separation will generally be freely tradeable without restriction or further registration under the U.S. Securities Act of 1933, as amended (the "Securities Act"), except for shares owned by one of our "affiliates," as that term is defined in Rule 405 under the Securities Act.

We are unable to predict whether large amounts of our common stock will be sold in the open market following the distribution. We are also unable to predict whether a sufficient number of buyers of our common stock to meet the demand to sell shares of our common stock at attractive prices would exist at that time.

#### Any stockholder's percentage of ownership in GXO may be diluted in the future at any given time.

In the future, your percentage ownership in GXO may be diluted because of equity issuances for acquisitions, capital market transactions or otherwise, including any equity awards that we will grant to our directors, officers and employees. Our employees will have stock-based awards that correspond to shares of our common stock after the distribution as a result of conversion of their XPO stock-based awards. We anticipate that the compensation committee of our board of directors will grant additional stock-based awards to our employees after the distribution. Such awards will have a dilutive effect on the number of GXO shares outstanding, and therefore on our earnings per share, which could adversely affect the market price of our common stock. From time to time, we will issue additional stock-based awards to our employees under our employee benefits plans.

#### We cannot guarantee the timing, amount or payment of dividends on our common stock.

The payment of any dividends in the future, and the timing and amount thereof, is within the discretion of GXO's board of directors. The board of directors' decisions regarding the payment of dividends will depend on many factors, such as our financial condition, earnings, capital requirements, debt service obligations, restrictive covenants in our debt, industry practice, legal requirements, regulatory constraints and other factors that our board of directors deems relevant. Our ability to pay dividends will depend on our ongoing ability to generate cash from operations and on our access to the capital markets. We cannot guarantee that we will pay a dividend in the future or continue to pay any dividends if and when we commence paying dividends. For more information, see "Dividend Policy."

Certain provisions in GXO's amended and restated certificate of incorporation and bylaws, and of Delaware law, may prevent or delay an acquisition of GXO, which could decrease the trading price of GXO's common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws will contain, and Delaware law contains, provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the bidder and to encourage prospective acquirers to negotiate with our board of directors rather than to attempt a hostile takeover. These provisions are expected to include, among others:

- the ability of our remaining directors to fill vacancies on our board of directors;
- limitations on stockholders' ability to call a special stockholder meeting or act by written consent;
- rules regarding how stockholders may present proposals or nominate directors for election at stockholder meetings; and
- the right of our board of directors to issue preferred stock without stockholder approval.

In addition, we expect to be subject to Section 203 of the Delaware General Corporate Law (the "DGCL"), which could have the effect of delaying or preventing a change of control that you may favor. Section 203 provides that, subject to limited exceptions, persons that acquire, or are affiliated with persons that acquire, more than 15% of the outstanding voting stock of a Delaware corporation may not engage in a business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the date on which that person or any of its affiliates becomes the holder of more than 15% of the corporation's outstanding voting stock.

We believe these provisions will protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our board of directors and by providing our board of directors with more time to assess any acquisition proposal. These provisions are not intended to make GXO immune from takeovers; however, these provisions will apply even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our board of directors determines is not in the best interests of GXO and our stockholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors. See "Description of Capital Stock."

In addition, an acquisition or further issuance of our stock could trigger the application of Section 355(e) of the Code, causing the distribution to be taxable to XPO. For a discussion of Section 355(e) of the Code, see "Material U.S. Federal Income Tax Consequences." Under the tax matters agreement, we would be required to indemnify XPO for the resulting tax, and this indemnity obligation might discourage, delay or prevent a change of control that our stockholders may consider favorable.

GXO's amended and restated certificate of incorporation will contain an exclusive forum provision that may discourage lawsuits against GXO and GXO's directors and officers.

Our amended and restated certificate of incorporation will provide that unless the board of directors otherwise determines, the state courts within the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) will be the sole and exclusive forum for any
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derivative action or proceeding brought on behalf of GXO, any action asserting a claim for or based on a breach of a fiduciary duty owed by any current or former director or officer of GXO to GXO or to GXO stockholders, including a claim alleging the aiding and abetting of such a breach of fiduciary duty, any action asserting a claim against GXO or any current or former director or officer of GXO arising pursuant to any provision of the DGCL or our amended and restated certificate of incorporation or amended and restated bylaws, any action asserting a claim relating to or involving GXO governed by the internal affairs doctrine, or any action asserting an "internal corporate claim" as that term is defined in Section 115 of the DGCL.

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. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation will further provide that the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty of liability created by the Exchange Act or the rules and regulations thereunder, and as a result, the exclusive forum provision does not apply to actions arising under the Exchange Act or the rules and regulations thereunder. While the Delaware Supreme Court ruled in March 2020 that federal forum selection provisions purporting to require claims under the Securities Act be brought in federal court are "facially valid" under Delaware law, there is uncertainty as to whether other courts will enforce our federal forum provision described above. Our stockholders will not be deemed to have waived compliance with the federal securities laws and the rules and regulations thereunder.

This exclusive forum provision may limit the ability of our stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with GXO or our directors or officers, which may discourage such lawsuits against GXO and our directors and officers. Alternatively, if a court were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described above, we may incur additional costs associated with resolving such matters in other jurisdictions, which could negatively affect our business, results of operations and financial condition.

The combined post-separation value of one share of XPO common stock and one share of GXO common stock may not equal or exceed the pre-distribution value of one share of XPO common stock.

As a result of the separation, we expect the trading price of shares of XPO common stock immediately following the separation to be different from the "regular-way" trading price of XPO common shares immediately prior to the separation because the trading price will no longer reflect the value of the GXO Businesses. There can be no assurance that the aggregate market value of a share of XPO common stock and one share of GXO common stock following the separation will be higher than, lower than or the same as the market value of a share of XPO common stock if the separation did not occur.

Our Chairman controls a large portion of our stock, which could limit other stockholders' ability to influence the outcome of key decisions and transactions, including changes of control.

Our Chairman, Brad Jacobs, will beneficially own approximately 13.5% of our outstanding common stock as of August 2, 2021. This concentration of share ownership may adversely affect the trading price for our common stock because investors may perceive disadvantages in owning stock in companies with concentrated stockholders. Mr. Jacobs can exert substantial influence over our management and affairs and matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions, such as mergers, consolidations or the sale of substantially all of our assets. Consequently, this concentration of ownership may have the effect of delaying or preventing a change of control, including a merger, consolidation, or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change of control would benefit our other stockholders. Additionally, significant fluctuations in the levels of ownership of

price of our common stock.				
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our largest stockholders, including shares beneficially owned by Mr. Jacobs, could impact the volume of trading, liquidity and market

#### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This information statement and other materials XPO and GXO have filed or will file with the SEC (and oral communications that XPO or GXO may make) contain or incorporate by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terms such as "anticipate," "estimate," "believe," "continue," "could," "intend," "may," "plan," "potential," "predict," "should," "will," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target," "trajectory" or the negative of these terms or other comparable terms. However, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements are based on certain assumptions and analyses made by the company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Factors (including risks, uncertainties and assumptions) that might cause or contribute to a material difference include, but are not limited to:

- the severity, magnitude, duration and aftereffects of the COVID-19 pandemic and government responses to the COVID-19 pandemic;
- public health crises (including COVID-19);
- economic conditions generally;
- competition and pricing pressures;
- our ability to align our investments in capital assets, including equipment, service centers and warehouses, to our customers' demands;
- our ability to successfully integrate and realize anticipated synergies, cost savings and profit improvement opportunities with respect to acquired companies;
- our ability to develop and implement suitable information technology systems and prevent failures in or breaches of such systems;
- our ability to raise debt and equity capital;
- litigation;
- labor matters, including our ability to manage our subcontractors, and risks associated with labor disputes at our customers and efforts by labor organizations to organize our employees;
- risks associated with defined benefit plans for our current and former employees;
- fluctuations in currency exchange rates;
- fluctuations in fixed and floating interest rates;
- issues related to our intellectual property rights;

•	governmental regulation.	including trade co	mpliance laws	as well as changes	in international trade	policies and tax regimes:
-	governincinal regulation.	, moraumg nade eo	impliance laws,	as well as changes	III IIIICIIIauonai uauc	policies and tax regimes,

- governmental or political actions, including the United Kingdom's exit from the European Union;
- natural disasters, terrorist attacks or similar incidents;

- political, economic, and regulatory risks relating to GXO's global operations, including compliance with U.S. and foreign trade and tax laws, sanctions, embargoes and other regulations;
- a material disruption of GXO's operations;
- the inability to achieve the level of revenue growth, cash generation, cost savings, improvement in profitability and margins, fiscal discipline, or strengthening of competitiveness and operations anticipated or targeted;
- the impact of potential cyber-attacks and information technology or data security breaches;
- the inability to implement technology initiatives successfully;
- the expected benefits and timing of the separation, and uncertainties regarding the planned separation, including the risk that conditions to the separation will not be satisfied and that it will not be completed pursuant to the targeted timing, asset perimeters, and other anticipated terms, if at all, and that the separation will not produce the desired benefits;
- a determination by the IRS that the distribution or certain related transactions should be treated as taxable transactions;
- the possibility that any consents or approvals required in connection with the separation will not be received or obtained within the expected time frame, on the expected terms or at all;
- expected financing transactions undertaken in connection with the separation and risks associated with additional indebtedness;
- the risk that dis-synergy costs, costs of restructuring transactions and other costs incurred in connection with the separation will
  exceed our estimates; and
- the impact of the separation on our businesses, our operations, our relationships with customers, suppliers, employees and other
  business counterparties, and the risk that the businesses will not be separated successfully or that such separation may be more
  difficult, time-consuming or costly than expected, which could result in additional demands on our resources, systems,
  procedures and controls, disruption of our ongoing business, and diversion of management's attention from other business
  concerns.

There can be no assurance that the separation, distribution or any other transaction described above will in fact be consummated in the manner described or at all. The above list of factors is not exhaustive or necessarily in order of importance. For additional information on identifying factors that may cause actual results to vary materially from those stated in forward-looking statements, see the discussions under "Risk Factors" in this information statement. Any forward-looking statement speaks only as of the date on which it is made, and each of XPO and GXO assumes no obligation to update or revise such statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

## THE SEPARATION AND DISTRIBUTION

## Overview

On December 2, 2020, XPO announced its intention to separate into two independent, publicly traded companies. The separation will occur through a pro rata distribution to the XPO stockholders of 100% of the shares of common stock of GXO, which was formed to hold the GXO Businesses.

In connection with the distribution:

- we expect that XPO will complete the internal reorganization as a result of which GXO will become the parent company of the XPO operations comprising, and the entities that will conduct, the GXO Businesses;
- GXO issued \$800 million of unsecured, unsubordinated notes and entered into an \$800 million Revolving Credit Agreement, as described under "Description of Material Indebtedness;" and
- we expect that using all or a portion of the proceeds from one or more financing transactions on or prior to the completion of the distribution, GXO will transfer approximately \$1 billion of cash to XPO, which XPO will use to repay existing indebtedness.

On July 12, 2021, the XPO board of directors approved the distribution of all of GXO's issued and outstanding shares of common stock on the basis of one share of GXO common stock for every share of XPO common stock held as of the close of business on July 23, 2021, the record date for the distribution.

At 12:01 a.m., Eastern Time, on August 2, 2021, the distribution date, each XPO stockholder will receive one share of GXO common stock for every share of XPO common stock held at the close of business on the record date for the distribution, as described below. Upon completion of the separation, each GXO stockholder as of the record date will continue to own shares of XPO and will receive a proportionate share of the outstanding common stock of GXO to be distributed. You will not be required to make any payment, surrender or exchange your XPO common stock or take any other action to receive your shares of GXO common stock in the distribution. The distribution of GXO common stock as described in this information statement is subject to the final approval of the XPO board of directors and the satisfaction or waiver of certain conditions. For a more detailed description of these conditions, see "The Separation and Distribution—Conditions to the Distribution."

# Reasons for the Separation

The XPO board of directors believes that the separation of XPO into two independent, publicly traded companies through the separation of the GXO Businesses from XPO is in the best interests of XPO and its stockholders for a number of reasons, including:

• Clear-Cut Investment Identities. The separation will allow investors to more clearly understand the separate business models, financial profiles and investment identities of the two companies and to invest in each based on a better appreciation of these characteristics. Each company is expected to have less debt and enhanced earnings potential, which would make it easier for each to achieve an investment-grade credit rating. GXO is expected to have an investment-grade credit rating at the time of distribution, and XPO will target achieving such rating over time. To the extent this enhanced investor understanding and deleveraging results in greater investor demand for shares of XPO stock and/or GXO stock, it could cause each company to be valued at multiples higher than XPO's current multiple, and higher than its publicly traded peers. Any such increase in the aggregate market value of XPO and GXO following the separation over XPO's market value prior to the separation would benefit XPO, GXO, and their respective stakeholders.

•	Creation of Independent Equity Currencies and Enhanced Strategic Opportunities. The separation will provide each of XPO and GXO with its own pure-play equity currency that can be used to facilitate capital raising and to pursue accretive M&A opportunities that are more closely aligned with each company's strategic goals and expected growth opportunities. To the extent the separate equity currencies are more attractively valued, this would further increase these benefits to XPO and GXO.
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- Improved Alignment of Management Incentives and Performance. The separation will allow each company to more effectively recruit, retain and motivate employees through the use of equity-based compensation that more closely reflects and aligns management and employee incentives with specific growth objectives, financial goals and business attributes. To the extent the separate equity currencies are more attractively valued, this would further benefit XPO and GXO.
- Separate Capital Structures and Allocation of Financial Resources. The separation will permit each company to allocate its financial resources to meet the unique needs of its businesses and intensify the focus on its distinct operating and strategic priorities, including by investing in enhancements to the proprietary software developed for its service offerings. The separation will also give each business its own capital structure and allow it to manage capital allocation and capital return strategies with greater agility in response to changes in the operating environment and industry landscape. Further, the separation will eliminate internal competition for capital between the two businesses and enable each business to implement a capital structure tailored to its strategy and business needs.
- Enhanced Management Focus on Core Businesses. The separation will provide each company's management team with undiluted focus on their specific operating and strategic priorities and customer requirements. The separation will enable the management teams of each company to better focus on strengthening its core businesses and operations, to more effectively address unique operating and other needs, and to pursue distinct and targeted opportunities for long-term growth and profitability. The separation will enable each company to deepen its competitive differentiation by having its technology team focus on enhancing the proprietary software developed for its specific service offerings, including the XPO Connect<sup>TM</sup> digital transportation platform and GXO's productivity tools for its logistics operations.

The XPO board of directors also considered a number of potentially negative factors in evaluating the separation, including:

- Risk of Failure to Achieve Anticipated Benefits of the Separation. We may not achieve the anticipated benefits of the separation for a variety of reasons, including, among others: the separation will demand significant management resources and require significant amounts of management's time and effort, which may divert management's attention from operating our business; and following the separation, we may be more susceptible to market fluctuations and other adverse events than if we were still a part of XPO because our business will be less diversified than XPO's business prior to the completion of the separation.
- Disruptions and Costs Related to the Separation. The actions required to separate the GXO Businesses from XPO could
  disrupt our operations. In addition, we will incur substantial costs in connection with the separation and the transition to being
  a standalone, public company, which may include accounting, tax, legal and other professional services costs, recruiting and
  relocation costs associated with hiring key senior management personnel who are new to GXO, tax costs and costs to separate
  information systems.
- Loss of Scale and Increased Administrative Costs. As a current part of XPO, GXO takes advantage of XPO's size and purchasing power in procuring certain goods and services. After the separation, as a standalone company, we may be unable to obtain these goods, services and technologies at prices or on terms as favorable as those XPO obtained prior to completion of the separation. In addition, as part of XPO, GXO benefits from certain functions performed by XPO, such as accounting, tax, legal, human resources and other general and administrative functions. After the separation, XPO will not perform these functions for us, other than certain functions that will be provided for a limited time pursuant to the transition services agreement, and, because of our smaller scale as a standalone company, our cost of performing such functions could be higher than the amounts reflected in our historical financial statements, which would cause our profitability to decrease.
- Limitations on Strategic Transactions. Under the terms of the tax matters agreement that we will enter into with XPO, we will be restricted from taking certain actions that could cause the distribution or certain related transactions (or certain transactions

idertaken as part of the internal reorganization) to fail to qualify as tax-free under applicable law. These restrict r a period of time our ability to								
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pursue certain strategic transactions and equity issuances or engage in other transactions that might increase the value of our business.

Uncertainty Regarding Stock Prices. We cannot predict the effect of the separation on the trading prices of GXO or XPO
common stock or know with certainty whether the combined market value of one share of our common stock and one share of
XPO common stock will be less than, equal to or greater than the market value of one share of XPO common stock prior to the
distribution.

In determining whether to pursue the separation, the XPO board of directors concluded the potential benefits of the separation outweighed the foregoing negative factors. See the section titled "Risk Factors" included elsewhere in this information statement.

## Formation of GXO

GXO was formed as a Delaware corporation on February 16, 2021 for the purpose of holding the GXO Businesses. As part of the plan to separate the GXO Businesses from the remainder of its businesses, in connection with the internal reorganization, XPO plans to transfer the equity interests of certain entities that are expected to operate the GXO Businesses and the assets and liabilities of the GXO Businesses to GXO prior to the distribution. For additional information, see "The Separation and Distribution—Internal Reorganization."

## When and How You Will Receive the Distribution

With the assistance of Computershare, XPO expects to distribute GXO common stock at 12:01 a.m., Eastern Time, on August 2, 2021, the distribution date, to all holders of outstanding XPO common stock as of the close of business on July 23, 2021, the record date for the distribution. Computershare will serve as the settlement and distribution agent in connection with the distribution and the transfer agent and registrar for GXO common stock.

If you own XPO common stock as of the close of business on the record date for the distribution, GXO common stock that you are entitled to receive in the distribution will be issued electronically, as of the distribution date, to you in direct registration form or to your bank or brokerage firm on your behalf. If you are a registered holder, Computershare will then mail you a direct registration account statement that reflects your shares of GXO common stock. If you hold your XPO shares through a bank or brokerage firm, your bank or brokerage firm will credit your account for the GXO shares. Direct registration form refers to a method of recording share ownership when no physical share certificates are issued to stockholders, as is the case in this distribution. If you sell XPO common stock in the "regular-way" market up to and including the distribution date, you will be selling your right to receive shares of GXO common stock in the distribution.

Commencing on or shortly after the distribution date, if you hold physical share certificates that represent your XPO common stock and you are the registered holder of the shares represented by those certificates, the distribution agent will mail to you an account statement that indicates the number of shares of GXO common stock that have been registered in book-entry form in your name.

Most XPO stockholders hold their common stock through a bank or brokerage firm. In such cases, the bank or brokerage firm is said to hold the shares in "street name" and ownership would be recorded on the bank or brokerage firm's books. If you hold your XPO common stock through a bank or brokerage firm, your bank or brokerage firm will credit your account for the GXO common stock that you are entitled to receive in the distribution. If you have any questions concerning the mechanics of having shares held in "street name," please contact your bank or brokerage firm.

## Transferability of Shares You Receive

Shares of GXO common stock distributed to holders in connection with the distribution will be transferable without registration under the Securities Act, except for shares received by persons who may be deemed to be our affiliates. Persons who may be deemed to be our affiliates after the distribution generally include individuals or entities that control, are controlled by or are under common control with us, which may include certain of our executive officers or directors. Securities held by our affiliates will be subject to resale restrictions under the

Securities Act. Our affiliates will be permitted to sell shares of our common stock only pursuant to an effective registration statement or an exemption from the registration requirements of the Securities Act, such as the exemption afforded by Rule 144 under the Securities Act.

## Number of Shares of GXO Common Stock You Will Receive

For every share of XPO common stock that you own at the close of business on July 23, 2021, the record date for the distribution, you will receive one share of GXO common stock on the distribution date. XPO will not distribute any fractional shares of GXO common stock to its stockholders.

If you hold physical certificates for shares of XPO common stock and are the registered holder, you will receive a check from the distribution agent in an amount equal to your pro rata share of the net cash proceeds of the sales. We estimate that it will take approximately two weeks from the distribution date for the distribution agent to complete the distribution of the net cash proceeds. If you hold your shares of XPO common stock through a bank or brokerage firm, your bank or brokerage firm will receive, on your behalf, your pro rata share of the net cash proceeds of the sales and will electronically credit your account for your share of such proceeds.

## **Treatment of Equity-Based Compensation**

In connection with the separation and distribution, XPO equity-based awards that are outstanding immediately prior to the separation and distribution and held by individuals who will serve as employees or non-employee directors of GXO following the separation and distribution will be treated as follows:

Restricted Stock Units ("RSUs"). Each award of XPO RSUs (including any event-based RSUs) held by an individual who will be an employee or non-employee director of GXO following the separation and distribution will be converted into an award of RSUs with respect to GXO common stock. The number of shares subject to each such award will be adjusted in a manner intended to preserve the aggregate intrinsic value of the original XPO award as measured immediately before and immediately after the separation and distribution, subject to rounding. Such adjusted award will otherwise be subject to the same terms and conditions that applied to the original XPO award immediately prior to the separation and distribution.

Stock Options. Each award of XPO stock options held by an individual who will be an employee of GXO following the separation and distribution will be converted into an award of stock options with respect to GXO common stock. The exercise price of, and number of shares subject to, each such award will be adjusted in a manner intended to preserve the aggregate intrinsic value of the original XPO award as measured immediately before and immediately after the separation and distribution, subject to rounding. Such adjusted award will otherwise be subject to the same terms and conditions that applied to the original XPO award immediately prior to the separation and distribution.

## **Internal Reorganization**

As part of the separation, and prior to the distribution, XPO and its subsidiaries expect to complete an internal reorganization in order to transfer to GXO the GXO Businesses that it will hold following the separation. Among other things and subject to limited exceptions, the internal reorganization is expected to result in GXO owning, directly or indirectly, the operations comprising, and the entities that conduct, the GXO Businesses.

The internal reorganization is expected to include various restructuring transactions pursuant to which (i) the operations, assets and liabilities of XPO and its subsidiaries used to conduct the GXO Businesses will be separated from the operations, assets and liabilities of XPO and its subsidiaries used to conduct XPO's other businesses and (ii) such GXO Businesses' operations, assets and liabilities will be contributed, transferred or otherwise allocated to GXO or one of its direct or indirect subsidiaries. These restructuring transactions may

take the form of asset transfers, me	ergers, demergers, dividends	, contributions and similar	transactions, a	and may involve th	ne formation of
new subsidiaries in U.S. and non-U	J.S. jurisdictions to own and	l operate the GXO Business	ses in such jur	risdictions.	

As part of this internal reorganization, XPO will contribute to GXO certain liabilities and certain assets, including equity interests in entities that are expected to conduct the GXO Businesses.

Following the completion of the internal reorganization and immediately prior to the distribution, GXO will be the parent company of the entities that are expected to conduct the GXO Businesses and XPO will remain the parent company of the entities that currently conduct all of XPO's operations except the GXO Businesses.

## **Results of the Distribution**

After the distribution, GXO will be an independent, publicly traded company. The actual number of shares to be distributed will be determined at the close of business on July 23, 2021, the record date for the distribution, and will reflect any exercise of XPO options between the date the XPO board of directors declares the distribution and the record date for the distribution. The distribution will not affect the number of outstanding shares of XPO common stock or any rights of XPO stockholders. XPO will not distribute any fractional shares of GXO common stock.

We will enter into a separation agreement and other related agreements with XPO to effect the separation and to provide a framework for our relationship with XPO after the separation, and will enter into certain other agreements, including a transition services agreement, a tax matters agreement, an employee matters agreement, and an intellectual property license agreement. These agreements will provide for the allocation between GXO and XPO of the assets, employees, liabilities and obligations (including, among others, investments, property and employee benefits and tax-related assets and liabilities) of XPO and its subsidiaries attributable to periods prior to, at and after GXO's separation from XPO and will govern the relationship between GXO and XPO subsequent to the completion of the separation. For additional information regarding the separation agreement and other transaction agreements, see the sections titled "Risk Factors—Risks Related to the Separation and Distribution" and "Certain Relationships and Related Party Transactions."

#### Market for GXO Common Stock

There is currently no public trading market for GXO common stock. GXO intends to list its common stock on the NYSE under the symbol "GXO." GXO has not and will not set the initial price of its common stock. The initial price will be established by the public markets.

We cannot predict the price at which GXO common stock will trade after the distribution. In fact, the combined trading prices, after the distribution, of the shares of GXO common stock that each XPO stockholder will receive in the distribution, together with the XPO common stock held at the record date for the distribution, may not equal the "regular-way" trading price of the XPO common stock immediately prior to the distribution. The price at which GXO common stock trades may fluctuate significantly, particularly until an orderly public market develops. Trading prices for GXO common stock will be determined in the public markets and may be influenced by many factors. See "Risk Factors—Risks Related to Our Common Stock."

## **Incurrence of Debt**

In connection with the distribution, in June 2021, GXO entered into a Revolving Credit Agreement providing for an \$800 million unsecured, unsubordinated five-year revolving credit facility. Additionally, in July 2021, GXO issued \$800 million of unsecured, unsubordinated notes in two series. GXO expects to transfer all or a portion of the net proceeds of the notes and other cash and cash equivalents to XPO, which XPO intends to use to repay existing indebtedness. As a result of such transactions, GXO anticipates having approximately \$800 million of outstanding indebtedness upon completion of the distribution (excluding finance leases and intercompany liabilities and any borrowings under the Revolving Credit Facility). For more information, see "Description of Material Indebtedness."

Trading Between the Record Date and the Distribution Date

Beginning on or shortly before the record date for the distribution and continuing up to the distribution date, XPO expects that there will be two markets in XPO common stock: a "regular-way" market and an "ex-distribution" market. XPO common stock that trades on the "regular-way" market will trade with an entitlement to GXO common stock distributed in the distribution. XPO common stock that trades on the "ex-distribution" market will trade without an entitlement to GXO common stock distributed in the distribution. Therefore, if you sell shares of XPO common stock in the "regular-way" market up to the distribution date, you will be selling your right to receive shares of GXO common stock in the distribution. If you own XPO common stock at the close of business on the

record date and sell those shares on the "ex-distribution" market up to the distribution date, you will receive the shares of GXO common stock that you are entitled to receive pursuant to your ownership of shares of XPO common stock as of the record date.

Furthermore, beginning on or shortly before the record date for the distribution and continuing up to and including the distribution date, GXO expects that there will be a "when-issued" market in its common stock. "When-issued" trading refers to a sale or purchase made conditionally because the security has been authorized but not yet issued. The "when-issued" trading market will be a market for GXO common stock that will be distributed to holders of XPO common stock on the distribution date. If you owned XPO common stock at the close of business on the record date for the distribution, you would be entitled to GXO common stock distributed pursuant to the distribution. You may trade this entitlement to shares of GXO common stock, without trading the XPO common stock you own, on the "when-issued" market. On the distribution date, "when-issued" trading with respect to GXO common stock will end, and "regular-way" trading with respect to GXO common stock will begin.

## **Conditions to the Distribution**

The distribution will be effective at 12:01 a.m., Eastern Time, on August 2, 2021, which is the distribution date, subject to final approval by the XPO board of directors, as well as to the satisfaction (or waiver by XPO in its sole and absolute discretion), of a number of conditions set forth in the separation agreement, including, among others:

- the SEC declaring effective the registration statement of which this information statement forms a part; there being no order suspending the effectiveness of the registration statement; and no proceedings for such purposes having been instituted or threatened by the SEC;
- this information statement having been made available to XPO stockholders;
- the receipt by XPO and continuing validity of an opinion of its outside counsel, satisfactory to the XPO board of directors, regarding the qualification of the distribution, together with certain related transactions, as a "reorganization" within the meaning of Sections 355 and 368(a)(1)(D) of the Code;
- the transfer of assets and liabilities to GXO having been completed in accordance with the separation agreement;
- an independent appraisal firm acceptable to the XPO board of directors having delivered one or more opinions to the XPO board of directors confirming the solvency and financial viability of XPO before the completion of the distribution, in each case in a form and substance acceptable to the XPO board of directors in its sole and absolute discretion;
- all actions and filings necessary or appropriate under applicable U.S. federal, state or other securities or blue sky laws and the
  rules and regulations thereunder relating to the separation and distribution having been taken or made and, where applicable,
  having become effective or been accepted;
- the transaction agreements relating to the separation and distribution having been duly executed and delivered by the parties thereto;
- no order, injunction or decree issued by any government authority of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the separation, the distribution or any of the related transactions being in effect;
- the shares of GXO common stock to be distributed having been approved for listing on the NYSE, subject to official notice of distribution;
- XPO having received certain proceeds from the financing arrangements described under "Description of Material Indebtedness" and being satisfied in its sole and absolute discretion that, as of the effective time of the distribution, it will have

	on terms satisfactory to the XPO board of directors in its sole and absolute discretion; and									
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no further liability under such arrangements, and XPO having completed any required refinancing of its existing indebtedness

• no other event or development existing or having occurred that, in the judgment of XPO's board of directors, in its sole and absolute discretion, makes it inadvisable to effect the separation, the distribution or the other related transactions.

XPO will have the sole and absolute discretion to determine (and change) the terms of, and whether to proceed with, the distribution and, to the extent it determines to so proceed, to determine the record date for the distribution, the distribution date and the distribution ratio. XPO will also have sole and absolute discretion to waive any of the conditions to the distribution. XPO does not intend to notify its stockholders of any modifications to the terms of the separation or distribution that, in the judgment of its board of directors, are not material. For example, the XPO board of directors might consider material such matters as significant changes to the distribution ratio and the assets to be contributed or the liabilities to be assumed in the separation. To the extent that the XPO board of directors determines that any modifications by XPO materially change the material terms of the distribution, XPO will notify XPO stockholders in a manner reasonably calculated to inform them about the modification as may be required by law, by, for example, publishing a press release, filing a current report on Form 8-K or circulating a supplement to this information statement.

## **DIVIDEND POLICY**

The payment of any dividends in the future, and the timing and amount thereof, is within the discretion of GXO's board of directors. The board of directors' decisions regarding the payment of dividends will depend on many factors, such as our financial condition, earnings, capital requirements, debt service obligations, restrictive covenants in our debt, industry practice, legal requirements, regulatory constraints and other factors that our board of directors deems relevant. Our ability to pay dividends will depend on our ongoing ability to generate cash from operations and on our access to the capital markets. We cannot guarantee that we will pay a dividend in the future or continue to pay any dividends if and when we commence paying dividends.

## **CAPITALIZATION**

The following table sets forth our capitalization as of March 31, 2021, on an unaudited historical basis and on a pro forma basis to give effect to the pro forma adjustments included in our Unaudited Pro Forma Condensed Combined Financial Information. The information below is not necessarily indicative of what our capitalization would have been had the separation, distribution and related financing transactions been completed as of March 31, 2021. In addition, it is not indicative of our future capitalization. This table should be read in conjunction with "Unaudited Pro Forma Condensed Combined Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," our Combined Financial Statements and notes and our Condensed Combined Financial Statements and notes included in the "Index to Financial Statements" section of this information statement.

		March 31, 2021						
(In millions, except per share amounts)		Historical		Pro Forma				
Cash								
Cash and cash equivalents	\$	414	\$	228				
Debt								
Short-term borrowings and current finance lease liabilities	\$	32	\$	32				
Long-term debt and finance lease liabilities		586		923				
Total indebtedness		618		955				
Equity								
Common stock, par value \$0.01		_		1				
Additional paid-in capital		_		2,421				
XPO investment		2,903		_				
Accumulated other comprehensive income		16		(91)				
Noncontrolling interests		124		120				
Total equity		3,043		2,451				
Total capitalization	\$	3,661	\$	3,406				

It is anticipated that, on the distribution date, GXO will have approximately \$100 million of cash. The separation agreement will provide for an adjustment payment to potentially be made following the distribution from GXO to XPO, or from XPO to GXO, so that GXO's final cash balance as of the effective time of the distribution is equal to \$100 million. The pro forma cash amount at March 31, 2021 includes an additional \$128 million that was used to fund the purchase of the remaining 3% of XPO Logistics Europe in the second quarter of 2021.

## UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information of GXO consists of the Unaudited Pro Forma Combined Statement of Operations for the three months ended March 31, 2021 and 2020 and the year ended December 31, 2020 and the Unaudited Pro Forma Combined Balance Sheet as of March 31, 2021, which have been derived from our historical combined financial statements included elsewhere in this information statement.

The Unaudited Pro Forma Combined Statement of Operations gives effect to the Pro Forma Transactions (as defined below) as if they occurred on January 1, 2020, the beginning of the most recently completed fiscal year. The Unaudited Pro Forma Combined Balance Sheet gives effect to the Pro Forma Transactions as if they occurred as of March 31, 2021, our latest balance sheet date.

The pro forma adjustments include transaction accounting adjustments that reflect the accounting for transactions in accordance with U.S. GAAP, and autonomous entity adjustments that reflect certain incremental expense or other changes necessary, if any, to reflect the financial condition and results of operations as if GXO was a separate stand-alone entity. The following unaudited pro forma condensed combined financial information illustrates the effects of the following transactions (collectively, the "Pro Forma Transactions"):

- the separation of the assets (including the equity interests of certain subsidiaries) and liabilities related to the GXO Businesses from XPO and the transfer of those assets (including the equity interests of certain subsidiaries) and liabilities to GXO;
- the removal of XPO-related assets and liabilities included in GXO's historical financial statements but retained by XPO;
- the distribution of 100% of our issued and outstanding common stock by XPO in connection with the separation;
- the effect of our anticipated post-separation capital structure, including the incurrence of indebtedness of \$800 million, and the distribution of approximately \$978 million of cash to XPO; and
- the impact of, and transactions contemplated by, the separation agreement, the transition services agreement, the tax matters agreement, the employee matters agreement and the intellectual property license agreement between us and XPO and the provisions contained therein.

A final determination regarding our capital structure has not yet been made, and the separation and distribution agreement, tax matters agreement, transition services agreement, employee matters agreement and intellectual property license agreement and certain other transaction agreements have not been finalized. As such, the pro forma statements may be revised in future amendments to reflect the impact on our capital structure and the final form of those agreements, to the extent any such revisions would be deemed material.

The operating expenses reported in our historical Combined Statements of Operations include allocations of certain XPO costs.

These costs include allocation of XPO corporate costs that benefit us, including corporate governance, executive management, finance, legal, information technology, human resources, other general and administrative costs, shared services and depreciation on shared XPO assets.

To operate as an independent public company, we expect our recurring costs to replace these services to be lower than expenses historically allocated to us from XPO as presented in our historical Combined Statements of Operations. The significant assumptions involved in determining our estimates of the recurring costs of being an independent, publicly traded company include:

 Costs to perform financial reporting, tax, regulatory compliance, corporate governance, treasury, legal, internal audit and investor relations activities;

directors; and	
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Compensation, including equity-based awards, and benefits with respect to new and existing positions and the board of

• Incremental third-party costs with respect to insurance, audit services, tax services, employee benefits and legal services.

We estimate that the net impact of these costs as compared to our historical Combined Statement of Operations would have been a reduction of approximately \$4 million in Depreciation and amortization expense for the three months ended March 31, 2021, and would have been a reduction of between approximately \$10 million and \$20 million in Sales, general and administrative expense and approximately \$20 million in Depreciation and amortization expense for the year ended December 31, 2020. Certain factors could impact these stand-alone public company costs, including the finalization of our staffing and infrastructure needs. A pro forma adjustment has not been made to the accompanying Unaudited Pro Forma Combined Statement of Operations to reflect the anticipated adjustment in the level of these expenses as they are projected amounts based on estimates.

The pro forma adjustments are based on available information and assumptions our management believes are reasonable; however, such adjustments are subject to change as transaction-related agreements are finalized and the costs of operating as a standalone company are determined. In addition, such adjustments are estimates and may not prove to be accurate. The Unaudited Pro Forma Condensed Combined Financial Information is based on information and assumptions which are described in the accompanying notes.

The Unaudited Pro Forma Condensed Combined Financial Information should be read in conjunction with our historical combined financial information, "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this information statement. The Unaudited Pro Forma Condensed Combined Financial Information constitutes forward-looking information and is subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated. See "Cautionary Note Regarding Forward-Looking Statements" included elsewhere in this information statement.

# **GXO** Logistics, Inc.

# Unaudited Pro Forma Condensed Combined Balance Sheets As of March 31, 2021

Transaction	
Accounting	

(In millions, except per share data)		Historical		Accounting Adjustments		Autonor Adju		Pı	ro Forma	
ASSETS										V - V
Current assets										
Cash and cash equivalents	\$	414	\$	(186)	(a)				\$	228
Accounts receivable, net of allowances		1,293			(b)					1,284
Other current assets		327			(c) (d)					247
Total current assets	_	2,034	_	(275)						1,759
Long-term assets		,	_							
Property and equipment, net		815		18	(c)					833
Operating lease assets		1,733		2	(c)		16	(m)		1,751
Goodwill		2,048								2,048
Identifiable intangible assets, net		307								307
Other long-term assets		183								183
Total long-term assets		5,086		20			16			5,122
Total assets	\$	7,120	\$	(255)		\$	16		\$	6,881
LIABILITIES AND EQUITY										
Current liabilities										
Accounts payable		480		(1)	(b)					479
Accrued expenses		877		(4)	(b)					873
Short-term borrowings and current finance lease liabilities		32								32
Short-term operating lease liabilities		379					2	(m)		381
Other current liabilities		126								126
Total current liabilities	,	1,894		(5)			2			1,891
Long-term liabilities										
Long-term debt and finance lease liabilities		586		337	(c) (e) (f)					923
Deferred tax liability		65		(8)	(g) (h)		(2)	(h)		55
Long-term operating lease liabilities		1,367		2	(c)		14	(m)		1,383
Other long-term liabilities		165	_	13	(g)					178
Total long-term liabilities		2,183		344			12		,	2,539
Equity										
Common stock, par value \$0.01]		_		1	(i)					1
Additional paid-in capital		_		2,419	(b) - (i)		2	(h)		2,421
XPO investment		2,903		(2,903)	(i)					_
Accumulated other comprehensive income		16		(107)	(g)					(91)
Total equity before noncontrolling interests		2,919		(590)			2			2,331
Noncontrolling interests		124		(4)	(g)					120
Total equity		3,043	_	(594)			2			2,451
Total liabilities and equity	\$	7,120	\$	(255)		\$	16		\$	6,881

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# **GXO** Logistics, Inc.

# **Unaudited Pro Forma Condensed Combined Statements of Operations For the Three Months Ended March 31, 2021**

				Transaction Accounting		Autonon	nous Entity				
(In millions, except per share data)		Historical		Adjustments		Autonomous Entity  Adjustments			Pro Forma		
Revenue		1,822	\$	1	(b) (c)			\$	1,823		
Direct operating expense		1,520		1	(b) (c)				1,521		
Sales, general and administrative expense		171					1 (n)		172		
Depreciation and amortization expense		79							79		
Transaction and integration costs		18							18		
Restructuring costs		4							4		
Operating income		30		_			(1)		29		
Other income		(1)		(9)	(b) (g)				(10)		
Interest expense		5		2	(j)				7		
Income before income taxes		26		7			(1)		32		
Income tax provision		9		2	(h)				11		
Net income		17		5			(1)		21		
Net income attributable to noncontrolling interests		(3)							(3)		
Net income attributable to GXO	\$	14	\$	5		\$	(1)	\$	18		
Earnings per share:											
Basic								\$	0.17	(k)	
Diluted								\$	0.16	(1)	
Weighted average common shares outstanding:											
Basic									106	(k)	
Diluted									112	(1)	

# **GXO** Logistics, Inc.

# **Unaudited Pro Forma Condensed Combined Statements of Operations For the Three Months Ended March 31, 2020**

		Transaction				
		Accounting		Autonomous Entity		
(In millions, except per share data)	 Historical	Adjustments		Adjustments		Pro Forma
Revenue	\$ 1,440	\$ 2	(b) (c)			\$ 1,442
Direct operating expense	1,203	2	(b) (c)			1,205
Sales, general and administrative expense	142			1	(n)	143
Depreciation and amortization expense	76	1	(c)			77
Transaction and integration costs	17					17
Restructuring costs	 				_	
Operating income	2	(1)		(1)		_
Other income	(1)	(7)	(b) (g)			(8)
Interest expense	 7	2	(j)			9
Loss before income taxes	(4)	4		(1)		(1)
Income tax provision	 6	2	(h)			8
Net loss	(10)	2		(1)		(9)
Net income attributable to noncontrolling interests	 (2)					(2)
Net loss attributable to GXO	\$ (12)	\$ 2		\$ (1)		\$ (11)
Earnings per share:						
Basic						\$ (0.12)
Diluted						\$ (0.12)
Weighted average common shares outstanding:						
Basic						92
Diluted						92

**GXO** Logistics, Inc.

# **Unaudited Pro Forma Condensed Combined Statements of Operations For the Year Ended December 31, 2020**

(In millions, except per share data)	Historical	Transact Account Adjustmo	ing		Autonomo Entity Adjustme			Pr	o Forma
Revenue	\$ 6,195	\$	8	(b) (c)				\$	6,203
Direct operating expense	5,169		8	(b) (c)					5,177
Sales, general and administrative expense	611					6	(n) (o)		617
Depreciation and amortization expense	323		2	(c)					325
Transaction and integration costs	47								47
Restructuring costs	29								29
Operating income	16		(2)			(6)			8
Other income	(2)		(31)	(b) (g)					(33)
Interest expense	24		8	(j)					32
Income (loss) before income taxes	(6)		21			(6)			9
Income tax provision	16		1	(h)		(2)	(h)		15
Net loss	(22)		20	•		(4)			(6)
Net income attributable to noncontrolling interests	(9)								(9)
Net loss attributable to GXO	\$ (31)	\$	20		\$	(4)			(15)
Earnings per share attributable to GXO:									
Basic								\$	(0.16) (
Diluted								\$	(0.16) (
Weighted average common shares outstanding:									
Basic									92 (
Diluted									92 (

#### Notes to Unaudited Pro Forma Condensed Combined Financial Statements

## **Transaction Accounting Adjustments:**

- (a) Reflects an adjustment to provide GXO with \$228 million of pro forma cash at March 31, 2021. This amount includes \$128 million intended to fund the purchase of the remaining 3% of XPO Logistics Europe, which is described in Note 9—Subsequent events to the Condensed Combined Interim Financial Statements, and \$100 million of available cash. The cash amount presented reflects the distribution of approximately \$978 million of cash to XPO, including settlements of existing loans.
- (b) Adjustments reflect the impact of removing the historical results of certain legal entities attributed to GXO that will not be transferred from XPO to GXO in connection with the Distribution. Refer to the below table for further details on specific adjustments:

Unaudited Pro Forma Condensed Combined Balance Sheet Line Item	(in millions	i)
Cash and cash equivalents	\$	3
Accounts receivable		9
Accounts payable		1
Accrued expenses		4

Refer to Note 2 —Basis of Presentation of our unaudited condensed combined financial statements for further discussion of the Company's attribution of assets and liabilities.

(c) Reflects the transfer of assets and liabilities related to the GXO Businesses from XPO and the related impact to the statements of operations. Refer to the below table for further details on specific adjustments:

Unaudited Pro Forma Condensed Combined Balance Sheet Line Item	(in m	nillions)
Other current assets	\$	5
Property and equipment, net		18
Operating lease assets		2
Long-term debt and finance lease liabilities		2
Operating lease liabilities		2

- (d) Reflects the amendment of the existing securitization program to exclude XPO trade receivables. In connection with this amendment, \$85 million of trade receivables previously purchased from XPO are expected to be returned to XPO with an offsetting adjustment of the XPO investment.
- (e) Reflects the settlement of \$457 million of outstanding loans with XPO. In connection with the spin-off, \$135 million of loans with our European subsidiaries will be cash settled and \$322 million of loans with our North American subsidiary will be eliminated.
- (f) Reflects the incurrence of \$800 million of indebtedness, net of debt issuance costs of \$8 million. The indebtedness is assumed to consist of \$800 million term notes with a weighted average interest rate of 2%. A 0.125% change to the annual interest rate would change interest expense by \$1 million for the year ended December 31, 2020.

(g)	Reflects the assumption of 100% of the plan assets and obligations related to the United Kingdom pension plan. The net plan
	liability and related deferred tax assets of \$13 million and \$3 million, respectively, will be transferred from XPO to GXO, with
	the obligations associated with such plans resulting in GXO recognizing accumulated other comprehensive loss of \$107
	million, net of tax and reducing noncontrolling interest by \$4 million. Reflects an adjustment to include income associated with
	the plan of \$10 million, \$8 million and \$34 million for the three months ended March 31, 2021 and 2020 and the year ended
	December 31, 2020, respectively.

- (h) Reflects the income tax impact of the pro forma adjustments. For March 31, 2021 and 2020, the tax impact was calculated using a forecasted full-year effective tax rate of approximately 24.2% and 41.9%, respectively. For December 31, 2020, the tax impact was calculated using the jurisdictional tax rate associated with each adjustment. The final income tax impact may be materially different as more detailed information will become available after the consummation of the spin-off and related transactions.
- (i) Represents the reclassification of XPO's net investment in GXO, including the additional net assets expected to be contributed by XPO and other pro forma adjustments, into Additional paid-in capital and Common stock, par value \$0.01, to reflect the number of shares of GXO common stock expected to be outstanding at the distribution date.
- (j) Reflects the adjustment to interest expense included in the unaudited pro forma Condensed Combined Statement of Operations of \$2 million for both the three months ended March 31, 2021 and 2020 and \$8 million for the year ended December 31, 2020, respectively, for the settlement of intercompany loans and issuance of the notes.
- (k) Reflects the number of shares of GXO common stock which are expected to be outstanding upon completion of the distribution. We have assumed the number of outstanding shares of common stock based on the number of XPO common shares outstanding at March 31, 2021 and an assumed pro-rata distribution ratio of one share of GXO common stock for each share of XPO common stock. The actual number of shares of GXO common stock outstanding upon completion of the Distribution may be different from this estimated amount.
- (l) Reflects the estimated number of shares of GXO common stock that are expected to be outstanding upon completion of the distribution and reflects the potential issuance of shares of our common stock under our equity plans, based on the distribution ratio of one share of GXO common stock for every share of XPO common stock. The actual number of shares of GXO common stock outstanding upon completion of the Distribution may be different from this estimated amount.

## **Autonomous Entity Adjustments:**

- (m) Reflects the impact of new lease agreements with XPO for corporate offices. These adjustments recognize operating lease assets and liabilities of \$16 million based on the estimated present value of the lease payments over the lease term. There is no impact to the condensed combined statements of operations as lease expense is consistent with the lease expense previously allocated to GXO.
- (n) Reflects the net impact of new compensation agreements for current executives of GXO. These adjustments relate primarily to increases in salary and bonus and stock-based compensation of \$1 million for both the three months ended March 31, 2021 and 2020 and \$3 million for the year ended December 31, 2020.
- (o) Reflects the impact of the transition services agreement, which results in incremental corporate and administrative costs not included in the Company's historical combined financial statements. An adjustment of \$3 million to increase Sales, general and administrative expense were recorded in the Unaudited Pro Forma Combined Statement of Operations for the year ended December 31, 2020.

## **Non-recurring costs:**

We currently estimate that GXO will incur additional one-time expenses of between \$45 million and \$65 million associated with becoming a stand-alone public company. The accompanying unaudited pro forma combined financial statements are not adjusted for these estimated expenses. These expenses include, among other things, costs related to legal, accounting and other professional fees, along with transitional costs such as those to convert to a standalone public company.

## **BUSINESS**

This section discusses GXO's business assuming the completion of all of the transactions described in this information statement, including the separation. All monetary amounts discussed in this section are in millions of U.S. dollars, unless otherwise indicated.

# **Company Overview**

GXO is the largest pure-play contract logistics provider in the world, and a foremost innovator in an industry propelled by strong secular tailwinds. Our total potential addressable market across North America and Europe is approximately \$430 billion, including the \$130 billion of logistics spend that is currently outsourced and the opportunity for another \$300 billion of spend that is currently insourced.

In 2020, we generated \$6.2 billion of revenue. Our revenue is diversified across numerous verticals and customers, including many multinational corporations. We provide our customers with high-value-add warehousing and distribution, order fulfillment, e-commerce and reverse logistics, and other supply chain services differentiated by our ability to deliver technology-enabled, customized solutions at scale. We have one of the largest platforms for outsourced e-commerce logistics globally, including the largest e-fulfillment platform in Europe.

Our customers rely on us to move their goods with high efficiency through their supply chains — from the moment inbound goods arrive at our logistics sites, through fulfillment and distribution and, in a growing number of cases, the management of returned products. Our customer base includes many blue-chip leaders in attractive sectors that demonstrate high growth or durable demand over time.

We strive to provide all of our customers with consistently high levels of service and cutting-edge automation managed by our proprietary technology. We also collaborate with our largest customers on planning and forecasting, and provide assistance with network optimization, working with these customers to design or redesign their supply chains to meet specific goals, such as sustainability metrics. Our multidisciplinary, consultative approach to customer service has led to many of our key customer relationships extending for years and growing in scope.

# Drivers of value creation

We have identified five key drivers of value creation in our business:

- Critical Scale in a Fast-Growing Industry with Strong Tailwinds: Our significant scale makes us well-positioned to benefit from the logistics industry's predominant tailwinds the growth in consumer demand for e-commerce and omnichannel retail, the rapidly increasing customer demand for warehouse automation and other digital supply chain capabilities, and the secular shift in logistics toward outsourcing;
- Robust Technological Differentiation: We are strongly differentiated by our technology as an innovative provider of
  sophisticated logistics solutions that enhance visibility, speed, accuracy and cost effectiveness for our customers, and by our
  ability to customize our technology-enabled services to each customer's requirements;
- Long-Term Customer Relationships in Attractive Verticals: We have a large opportunity to grow our share in verticals with durable fundamentals and high-growth outsourcing opportunities, where we have strong partnerships with preeminent customers, longstanding track records and deep expertise;
- Resilient Business Model with Multiple Drivers of Profitable Growth: We have numerous avenues for profitable growth, including a long runway for margin expansion through the ongoing deployment of our technology in areas such as labor

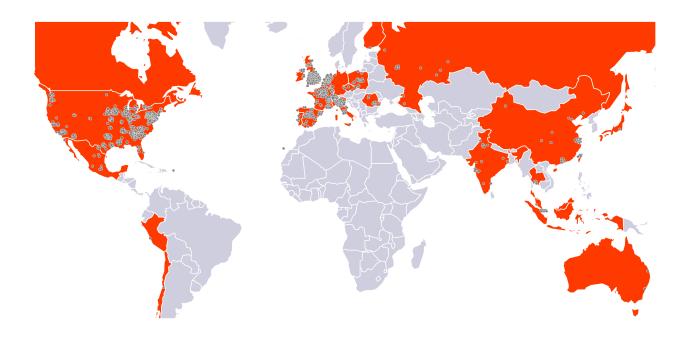
productivity, warehouse management, inventory management, demand forecasting and advanced automation, as well as	an
asset-light business model that historically has given us agility across cycles and generated strong free cash flow; and	

• Experienced and Cohesive Leadership: Our company is led by highly experienced executives who are recognized as leading practitioners in their respective fields, and who will work together to create sustainable value through operational excellence and a purposeful culture.

# Critical Scale in a Fast-Growing Industry with Strong Tailwinds

We operate at the forefront of a rapidly expanding industry that represents a total potential addressable market of \$430 billion across North America and Europe, including the \$130 billion of logistics spend that is currently outsourced and the opportunity for another \$300 billion of spend that is currently insourced. We expect that the industry will continue to grow faster than GDP, with increased demand for outsourced logistics propelled by strong secular tailwinds, such as the consumer shift to e-commerce, customer demand for warehouse automation and the ongoing trend toward outsourcing logistics management. Our technology and scale provide us with competitive advantages and strategically position us to capitalize on these substantial growth opportunities.

Our locations span the globe, with our operating sites located primarily in North America and Europe:



GXO's 885 operating sites are focused primarily in North America and Europe

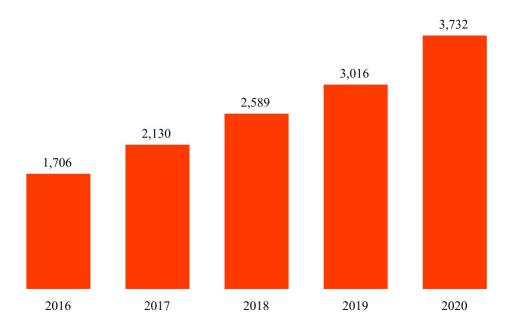
As of March 31, 2021, we operated 210 million square feet (20 million square meters) of logistics warehouse space worldwide at 885 locations and operated with approximately 93,000 team members (comprised of approximately 66,000 full-time and part-time employees and 27,000 temporary workers).

	 ]	Pro I	Forma Comb	bined			]	Historical		
	Three Mo Mar			Year Ended December 31,	Three Mor				ears Ended	
(in millions)	2021		2020	2020	2021	2020		2020	2019	2018
Revenue	\$ 1,823	\$	1,442	6,203	\$ 1,822	\$ 1,440	\$	6,195	\$ 6,094	\$ 6,065
Operating income	29			8	30	2		16	150	143
Adjusted EBITDA	140		102	442	132	96		417	469	433

Our significant scale gives us a competitive advantage in the growing logistics industry. The most dramatic growth in demand for logistics services in recent years has come from e-commerce and related sectors, including omnichannel retail and direct-to-consumer channels established by manufacturers. Prior to 2020, e-commerce was							
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already growing globally at a double-digit rate; COVID-19 has accelerated that growth by encouraging more consumers to purchase a wide variety of goods online:

## Global e-commerce, \$ in billions



The rapid pace of growth and the necessary reliance on technology make it difficult for many companies to provide consistently high levels of service while handling e-commerce logistics in-house. This is a secular growth driver for our business on two fronts: more companies are turning to outsourcing to manage high volumes of e-commerce fulfillment and returns, and their supply chains are becoming increasingly complex, requiring sophisticated warehouse automation that is difficult to achieve on their own.

GXO's positioning as a technology leader and one of the largest providers of outsourced e-fulfillment globally — including the largest e-fulfillment platform in Europe — are significant competitive advantages for us. In addition, we have expertise with numerous verticals and SKU types in the e-commerce space, with an ability to produce replicable outcomes at scale. These are major reasons why our e-fulfillment services are equally attractive to longstanding e-commerce companies and new entrants.

We engineer customized, end-to-end solutions for our customers: storage, inventory management, staffing, peak management, demand forecasting, fulfillment, aftermarket support, high-value-add services, such as order personalization, and reverse logistics — the merchandise returns that have become a fast-growing byproduct of e-fulfillment. We are a major provider of integrated reverse logistics services, including the inspection, repackaging, refurbishment and resale or disposal of returned merchandise, as well as refunding and warranty management. Reverse logistics expertise is highly valued by companies with consumer end-markets, as shoppers increasingly "test-drive" the merchandise they buy online.

## Robust Technological Differentiation

Logistics processes of all kinds are ripe for transformation through advanced automation and digital management. We anticipated this nearly a decade ago, and prioritized the development of proprietary technologies that make logistics smarter, faster and more responsive to changes in demand. Our customers see the depth of our commitment to innovation, and they value our ability to meet their current objectives and future needs. Many of our larger customers consider us a strategic partner — they view our technology and

vorld-class technology talent to our orga			
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expertise as critical to their success. Our reputation as an innovator also supports our capacity to develop new capabilities by attracting

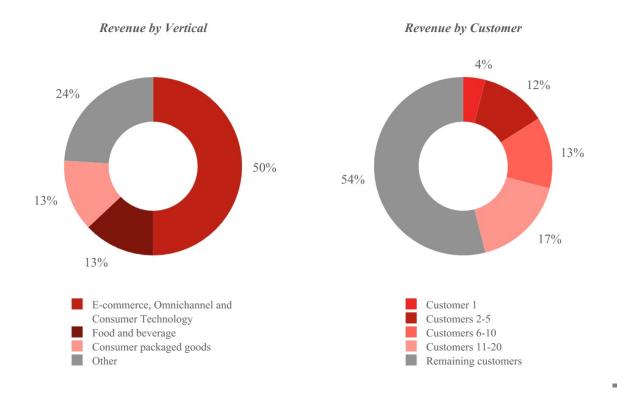
The most significant impacts of our technology to date are in three areas: our "Smart" suite of intelligent productivity tools, advanced warehouse automation and predictive analytics, all of which are integrated into our operations. See "Technology and Intellectual Property" for more information.

Another type of innovation that further differentiates GXO from our competitors is our "Direct" shared-space distribution network for B2C and B2B customers in North America. This network increases utilization of our existing warehouses and other resources, and it offers our customers the option of a flexible "fulfillment as a service" ("FaaS") model. Our facilities serve as strategically located stockholding sites and cross-docks that can be utilized by multiple customers at the same time. The network gives retailers, e-tailers and manufacturers access to our scale, expertise and technology without the high fixed costs of traditional distribution center models.

Our "Direct" network enables our customers to position inventory within one- and two-day ground delivery range of approximately 99% of the U.S. population and in close proximity to retail stores for inventory replenishment. As demand patterns change, we reposition the inventory around our network, managed and tracked by our technology. This responds directly to consumer expectations for shorter fulfillment times, and consequently, it enhances consumer loyalty for our customers. The customers who use this network have the use of our technology for ease of doing business at both ends of distribution, as well as our predictive analytics to help plan inventory flows.

### Long-Term Customer Relationships in Attractive Verticals

We have a large opportunity to grow our share in verticals with durable fundamentals and high-growth outsourcing opportunities, where we have strong partnerships with preeminent customers, longstanding track records and deep expertise. Our revenue is diversified across numerous verticals and customers with different demand patterns and seasonality, including over 30% of Fortune 100 companies and 24% of the Fortune Global 100. In 2020, our revenue profile reflected a healthy mix of verticals and customers, with low concentration risk:

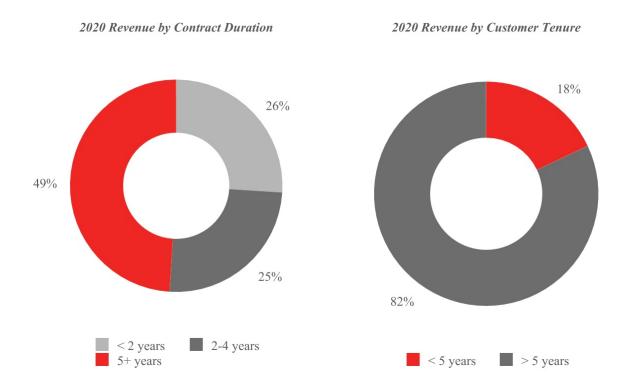


Our customers include numerous long-term relationships with blue-chip market leaders and world-class brands, operating primari in e-commerce and retail, food and beverage, consumer packaged goods, technology, aerospace, consumer technology, industrial and manufacturing, chemicals, agribusiness, life sciences and healthcare. These are						
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all verticals where we have decades of expertise and understand the unique supply chain requirements, such as complex stock-keeping, time-assured distribution and surge management.

We are strongly positioned with large customers because we can provide the technology and customization required for their complex supply chains. GXO's ability to produce reliable outcomes at scale resonates with these customers, as does our expansive capacity and leading ability to manage tight labor markets.

By partnering with our customers for the long term, we further our differentiation as a highly valued supply chain partner. The average relationship tenure for our top 20 customers in 2020, based on revenue, was approximately 15 years. GXO's growth is also propelled by long-cycle projects and long-term contractual relationships:



Resilient Business Model with Multiple Drivers of Profitable Growth

Our business has numerous drivers of profitable growth, including the ability to expand our margins through continuous deployment of our technology in areas such as labor productivity, warehouse management, inventory management, demand forecasting and advanced automation, as well as our asset-light business model, which has historically been resilient across cycles.

Our business relationships are characterized by long-term contractual agreements structured with either a fixed-variable or cost-plus mechanism to cover our base expenses across the economic cycle, with a historical customer retention rate of approximately 93%. Additionally, our business requires limited maintenance capital spending, which provides us with the flexibility to adjust our overall capital spending to changes in the macro environment. Our long-term contracts and flexible operating model allow us to adapt across the cycle, reducing costs during downturns and putting us in a position to expand quickly in growing markets. The result is expected to be strong, macro-independent free cash flow generation. We are committed to continuing to deploy capital with discipline and agility to maximize shareholder value.

## Experienced and Cohesive Leadership

Our company is led by Malcolm Wilson, chief executive officer and Baris Oran, chief financial officer. Each of our executives has decades of experience in their respective fields, having previously served in leadership roles in businesses around the globe.

Malcolm Wilson has three decades of executive experience managing multinational supply chain operations. Prior to GXO, he served as Chief Executive Officer of XPO's European operations, where he led the European logistics business to unprecedented growth and efficiencies. Earlier, he was head of the logistics division for industry leader Norbert Dentressangle and grew that logistics division to global scale as Norbert Dentressangle's largest revenue-producing unit. XPO acquired Norbert Dentressangle in 2015.

Baris Oran has more than two decades of finance experience, including most recently serving as chief financial officer of the Sabanci Group, one of Turkey's largest publicly traded companies. Oran also has significant board experience, having served as chairman, vice chairman or board member of eight public companies and four private companies over the course of his career.

Our leaders prioritize developing a company culture that is, among other things:

- Safe: In 2020, our recordable incident rate ("RIR") in the U.S. was once again significantly better than the industry average. While the most recent industry average RIR for General Warehousing and Storage was 4.9, as reported by OSHA, our RIR in 2020 was significantly better at 1.3;
- *Diverse*: In 2020, approximately 8,840 of our global hires were women, representing over 30% of all hires. In the U.S., approximately 78% of our 2020 hires were diverse based on self-identification as a person of color, military veteran, member of the LGBTQ+ community or a person with a disability; and
- Sustainable: A number of our warehouse facilities are ISO 14001-certified, which ensures environmental and other regulatory compliance. We also monitor fuel emissions from forklifts, with protocols in place to take immediate corrective action if needed. Our packaging engineers ensure that the optimal carton size is used for each product slated for distribution, and when feasible, we purchase recycled packaging. As a byproduct of managing returned merchandise, we recycle millions of electronic components and batteries each year.

## **Our Strategy**

Our strategy is to help our customers manage their supply chains most efficiently, using our network of people, technology and physical assets. We deliver value to customers in the form of technological innovations, process efficiencies, cost efficiencies and reliable outcomes. Our services are both highly responsive to customer goals — such as increasing visibility in the supply chain, decreasing fulfillment times and mitigating environmental impacts over time — and proactive in identifying potential improvements.

Management's growth and optimization strategy for GXO is to:

- Develop additional business in verticals where we already have deep expertise, relationships with prominent customers and a
  strong track record of performance, by successfully selling to new customers and by expanding the services we provide to
  existing customers through new projects, thus earning more of their external and internal logistics spend;
- Market the advantages of our proprietary technology for warehouse operations, which we use to manage advanced automation, robotics, labor productivity, inventory management, safety, seasonal changes in demand and other aspects of complex logistics environments:
- Partner with our customers in meeting their goals for supply chain performance, risk mitigation, cost efficiency, growth management and stakeholder satisfaction by helping them overcome challenges specific to their business; and

• Integrate industry best practices into our operations to drive productivity and share gains, with a focus on automation and other levers of profitable growth.

Our growth and optimization strategy is geared toward consumer-related sectors that demonstrate enduring demand over time and where we already have a deep presence. In 2020, 50% of our revenue came from e-commerce, omnichannel and consumer technology, 13% came from food and beverage, and 13% from consumer packaged goods. These top three verticals accounted for 76% of our revenue, with the vast majority of revenue generated in the U.S., the U.K., France and Spain.

To aid us in executing our strategy, we have instilled a culture that focuses our efforts on delivering mutually beneficial results for our customers and our company.

### **Technology and Intellectual Property**

Our industry is evolving, and logistics processes are ripe for innovative, disruptive thinking. Customers want to reduce risk and increase the productivity of their supply chains. We are well-positioned to meet these expectations because we prioritized visibility, quality control and automation early in our technological development.

Our highly scalable platform is built on the cloud to speed the deployment of new ways to increase efficiency and leverage our footprint. We can implement innovations across multiple geographies in a relatively short time, or take an innovation developed for one vertical and apply it to other verticals to enhance the value we offer our customers.

The most significant impacts of our proprietary technology to date are in three areas: labor and inventory management productivity, intelligent warehouse automation and predictive analytics, all of which are integrated through our proprietary warehouse management platform.

### Labor and Inventory Management

Our productivity is driven by our comprehensive "Smart" suite of intelligent tools and analytics designed to optimize labor and inventory management. This technology incorporates dynamic data science, predictive analytics and machine learning to aid in decision-making. Our site managers use these tools to improve productivity in site-specific ways in a safe, disciplined and cost-effective manner.

As of year-end 2020, we had implemented these tools and analytics in approximately 85% of our North American logistics sites and 50% of our European logistics sites, with further roll-outs underway. This technology is delivering an average labor productivity improvement of 5% to 7%, and we expect to see further increases in productivity as we fully utilize these tools in all of our operations.

## Intelligent Warehouse Automation

Our intelligent warehouse automation includes our deployments of autonomous robots and cobots (collaborative robots), automated sortation systems, automated guided vehicles, goods-to-person systems and wearable smart devices — these are all effective ways to deliver critical improvements in speed, accuracy and productivity. Importantly, automation also enhances safety and the overall quality of employment. Our warehouse management system creates a synchronized environment across automation platforms to control these technologies holistically as part of an integrated solution.

Other technologies that differentiate our logistics environments are our proprietary warehouse module for order management, which gives customers deep visibility into fulfillment flows, and our analytics dashboard, which gives customers valuable business intelligence to manage their supply chains. Our connection management software module facilitates integration with SAP, Oracle and

other external systems, enabling our customers to get the most benefit from our technology in areas such as visibility, demand planning and continuous improvement.

We have found that autonomous goods-to-person systems can improve labor productivity by four to six times, and that cobots, which assist workers with the inventory picking process, can improve productivity by two times on average. Stationary robot arms can repeat demanding tasks with precision three times faster than is possible

manually. Robots are particularly valuable in tight labor markets where wage inflation and labor shortages can erode customer margins.

Our ability to employ our technologies for our customers' benefit is highlighted by our innovative partnership with Nestle, the world's largest food and beverage company. In mid-2020, we opened our Digital Distribution Warehouse of the Future in partnership with Nestlé in the U.K. This flagship site has the capacity to process the highest throughput of any facility in Nestlé's global network.

The Digital Distribution Warehouse of the Future brings together the latest systems architecture and intelligent applications under one roof, with sophisticated robotics, advanced sortation systems and data analysis using machine learning. Our European innovation lab is based on the premises, where it functions as both a think tank and an innovation incubator, giving us the ability to test new technologies under real-life operating conditions.

## **Predictive Analytics**

Our predictive analytics add significant value for customers, particularly in e-commerce and omnichannel retail, where seasonality drives high volumes through outbound and inbound logistics processes. For example, about 15% to 35% of consumer goods bought online are returned, based on the product category, and this creates reverse peaks of returned merchandise at certain times of year. We have developed analytics that predict future surges in demand using a combination of data histories and customer forecasting.

As an industry leader that makes substantial investments in technology, we have access to an immense amount of data, as well as the analytical processing capabilities to capitalize on that data by incorporating our learnings into customer solutions. We believe our ability to process and act upon data is a key competitive advantage and differentiator versus our competitors.

## **Properties**

As of March 31, 2021, we operated 885 locations, primarily in North America and Europe. These sites included locations in 27 countries.

Location	Leased Facilities	Owned Facilities	Customer Facilities <sup>(2)</sup>	Total
North America	187	1	143	331
Europe	278	9	203	490
Other <sup>(1)</sup>	49		15	64
Total	514	10	361	885

- (1) Locations not in North America or Europe; primarily in Asia.
- (2) Locations owned or leased by customers.

We lease our current executive office located in London, England, our U.S. headquarters in Greenwich, Connecticut, our U.S. operations center in North Carolina and our various office facilities in France, the U.K. and India, to support our global executive and shared-services functions. We believe that our facilities are sufficient for our current needs.

#### **Customers and Markets**

GXO provides services to over 1,000 customers globally, including Fortune 100 companies in the U.S., European multinational market leaders and renowned global brands. The customers we serve span every major industry and touch every part of the economy. The diversification of our customer base minimizes concentration risk: in 2020, our top five customers combined accounted for approximately 16% of our revenue, with our largest customer accounting for approximately 4% of revenue.

Our revenue is highly diversified due to our expertise across a range of key verticals. We derive our revenue from retail and e-commerce, food and beverage, consumer packaged goods, consumer technology and other verticals where we have longstanding positioning and prominent customers.
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We market to domestic and international customers and primarily perform services in North America and Europe. In 2020, approximately 36% of our total revenue was generated in the U.S., 27% in Europe (excluding the U.K. and France), 25% in the U.K. and 10% in France.

## Competition

GXO operates in a highly fragmented marketplace with thousands of companies competing domestically and internationally. The top five contract logistics providers across North America and Europe, in total, hold less than 25% of the \$130 billion of outsourced logistics spend, with GXO holding approximately 5% share. We compete based on our ability to deliver quality of service, reliability, scope and scale of operations, technological capabilities, expertise and price.

Our competitors include local, regional, national and international companies that offer the same services we provide; some have larger customer bases, significantly more resources and more experience than we have. Some of our competitors include Clipper Logistics, DHL, DSV Panalpina, ID Logistics, and Kuehne + Nagel. Additionally, some of our customers have sufficient internal resources to perform the services we offer. Due to the competitive nature of our marketplaces, we strive daily to strengthen existing business relationships and forge new relationships.

## **Environmental and Other Government Regulations**

Our operations are regulated and licensed by various governmental agencies in the U.S. at the local, state and federal levels and in other countries where we conduct business. These regulations impact us directly, and also indirectly when they regulate third parties with which we arrange or contract services. In addition, we are subject to a variety of other U.S. and foreign laws and regulations, including, but not limited to, the Foreign Corrupt Practices Act and other anti-bribery and anti-corruption statutes.

Moreover, we are subject to various environmental laws and regulations in the jurisdictions where we operate. From time to time, we receive inquiries from governmental authorities about potential environmental exposure related to the operations of our facilities. Historically, we have successfully resolved such inquiries without a material effect on our business or operations. We believe that our operations are in substantial compliance with current laws and regulations and we do not know of any existing environmental condition that reasonably would be expected to have a material adverse effect on our business or operating results.

A number of GXO's sites are ISO 14001-certified to high standards for environmental management, and we have implemented numerous programs to manage environmental risks and maintain compliance in our business. U.S. federal and state governments, as well as governments in certain foreign jurisdictions where we operate, have also proposed environmental legislation that could, among other things, potentially limit carbon, exhaust and greenhouse gas emissions. If enacted, such legislation could result in reduced productivity and efficiency and increased operating expenses, all of which could adversely affect our results of operations.

# Seasonality

Our revenue and profitability are typically lower in the first quarter of the calendar year relative to other quarters. We believe this is due in part to the post-holiday reduction in demand experienced by many of our customers, which leads to less use of the logistics services we provide. Our business benefits from strong positioning in the e-commerce sector, where demand is characterized by seasonal surges in activity, with the fourth quarter holiday peak typically being the most dramatic.

# **Human Capital**

Our success relies in large part on our robust governance structure and Code of Business Ethics, our good corporate citizenship and, importantly, engaged employees who embrace our values.

As a customer-centric company with a strong service culture, we constantly work to maintain our position as an employer of choice. This requires an unwavering commitment to workplace inclusion and safety, as well as competitive total compensation that meets the needs of our employees and their families.
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## Employee Profile

As of March 31, 2021, we operated with approximately 93,000 team members (comprised of approximately 66,000 full-time and part-time employees and 27,000 temporary workers) in 27 countries: 32% of our employees were based in North America, 65% were based in Europe and 3% were based in Latin America and Asia combined. Of our North American employees, 83% were in hourly roles and 17% were in salaried positions. In Europe, 72% of our employees were covered by collective bargaining agreements, while none of our employees in North America were covered by collective bargaining agreements.

We have made significant investments in the safety, well-being and satisfaction of our employees in numerous areas, including:

Diversity, Equity and Inclusion

We take pride in having an inclusive workplace that encourages a diversity of backgrounds and perspectives and mandates fair treatment for all individuals — these attributes of our culture make us a stronger organization and a better partner to all GXO stakeholders. We welcome employees of every gender identity, sexual orientation, race, ethnicity, national origin, religion, life experience, veteran status and disability.

Health and Safety

Our frontline employees provide essential services that keep goods flowing to the people who need them. Their protection is always our foremost priority, and we have numerous protocols in place to ensure a safe workplace environment. We aim to maintain an OSHA recordable incident rate that is less than half the published rate for the General Warehousing and Storage sector, based on the "Industry Injury and Illness Data" of the U.S. Bureau of Labor Statistics.

Amid the onset of COVID-19 in 2020, we deployed a combination of protective measures, technology and virtual communications to maintain a safe workplace environment. We have taken many risk-mitigating actions to protect our employees, including offering 100% paid pandemic sick leave for eligible employees, providing frontline employee appreciation pay to approximately 18,500 workers in the U.S. and Canada, procuring personal protective equipment for employees in all of our workplaces, and providing expanded access to mental health counseling services for employees and their dependents.

Talent Development and Engagement

Our employees are critically important to our ability to provide best-in-class service. We ask our employees for feedback through engagement surveys, roundtables and town halls, and we use periodic engagement surveys to gauge our progress, assess satisfaction and ask for constructive suggestions. In this way, our employees help drive the continuous improvement of our business. We seek to identify top talent in all aspects of the recruitment process, and we emphasize training and development.

We tailor our recruitment efforts by geography and job function using an array of channels to ensure a diverse candidate pool. Our talent development infrastructure provides resources to employees throughout their career path, such as tailored skills development, training and mentoring for employees who aspire to grow into higher-paying positions with more responsibility. In addition, we maintain a robust pipeline of future operations leaders by using structured sponsorships and incidental learning techniques to develop internal candidates who demonstrate high potential in supervisory roles into positions as site leaders. The programs also serve to retain top talent by defining personalized development paths, and they attract new talent by differentiating GXO as an employer.

Expansive Total Rewards

We appreciate that our employees choose to work for GXO from among the many different options available to them inside and outside our industry. We offer a total compensation package that is both competitive and progressive to help attract and retain outstanding talent.						
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We offer competitive wages and a comprehensive suite of benefits to all employees to maintain our positioning as an employer of choice in the talent marketplace. A number of the benefits we offer were introduced in response to employee feedback — in the U.S., examples include our pregnancy care policy, family bonding policy, tuition reimbursement program for continuing education, and benefits such as diabetes management, supplemental insurance and short-term loans. In Europe, the benefits offered vary by country and are tailored to the needs of the local markets. Examples include comprehensive healthcare and risk insurance, employee assistance programs covering mental, physical and financial wellbeing, pension plans, profit sharing schemes, and local and global bonus schemes structured to offer competitive pay in each country.

# **Legal Proceedings**

In the ordinary course of conducting our business activities, we and our subsidiaries become involved in judicial, administrative and regulatory proceedings involving both private parties and governmental authorities. These proceedings include insured and uninsured matters that are brought on an individual, collective, representative and class action basis, and other proceedings involving personal injury claims arising from the transportation and handling of goods, contractual disputes, employment-related claims, including alleged violations of wage and hour laws, and general and commercial liability matters.

Based on facts currently available, we do not expect any of these proceedings to have a material effect, individually or in the aggregate, on our reputation, business, financial position, results of operations or cash flows; however, we can give no assurance that the results of any such proceedings will not materially affect our reputation, business, financial position, results of operations and cash flows.

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

You should read the following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in conjunction with the audited Combined Financial Statements and corresponding notes and the Unaudited Pro Forma Condensed Combined Financial Information and corresponding notes included elsewhere in this information statement. This MD&A contains forward-looking statements. The matters discussed in these forward-looking statements are subject to risk, uncertainties, and other factors that could cause actual results to differ materially from those projected or implied in the forward-looking statements. Please see "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements.

#### **Business Overview**

GXO Logistics, Inc. ("GXO" or "we") is the largest pure-play contract logistics provider in the world and a foremost innovator in an industry propelled by strong secular tailwinds. Our total potential addressable market across North America and Europe is approximately \$430 billion, including the \$130 billion of logistics spend that is currently outsourced and the opportunity for another \$300 billion of spend that is currently insourced.

Our customers rely on us to move their goods with high efficiency through their supply chains — from the moment inbound goods arrive at our logistics sites, through fulfillment and distribution and, in a growing number of cases, the management of returned products. Our customer base includes many blue-chip leaders in attractive sectors that demonstrate high growth or durable demand over time, with significant growth potential through customer outsourcing of logistics services.

We strive to provide all of our customers with consistently high levels of service and cutting-edge automation managed by our proprietary technology. We also collaborate with our largest customers on planning and forecasting, and provide assistance with network optimization, working with these customers to design or redesign their supply chains to meet specific goals, such as sustainability metrics. Our multidisciplinary, consultative approach has led to many of our key customer relationships extending for years and growing in scope.

The most dramatic growth in secular demand in recent years has been in e-commerce and related sectors, including omnichannel retail and other direct-to-consumer channels. As part of our growth strategy, we intend to develop additional business in consumer and other verticals where we already have deep expertise, prominent customer relationships and a strong track record of successful performance. We also intend to expand into new verticals by leveraging our capacity and technological strengths, and by marketing the benefits of our proprietary platform for warehouse operations. We use this technology to manage advanced automation, labor productivity, safety and the complex flow of goods within sophisticated logistics environments.

Our business model is asset-light and historically resilient in cycles, with high returns, strong free cash flow and visibility into revenue and earnings. The vast majority of our contracts with customers are multi-year agreements, and our facility lease arrangements generally align with contract length. Most of our customer contracts contain both fixed and variable components. The fixed component is typically designed to cover facility, technology and equipment costs, and may cover management costs, while the variable component is determined based on expected volumes and associated labor costs.

# The Spin-Off

In December 2020, our parent company, XPO Logistics, Inc. (together with its subsidiaries, "XPO"), announced its intention to separate into two independent, publicly traded companies. The spin-off is expected to be completed through a tax-free pro rata distribution of all the outstanding shares of common stock of GXO. The proposed spin-off is complex in nature, and unanticipated developments or changes, including changes in law, the macroeconomic environment, competitive conditions of our markets, regulatory

approvals or clearances, the uncertainty of the financial markets, and challenges in executing the separation, could delay or prevent the completion of the proposed spin-off, or cause the spin-off to occur on terms or conditions that are different or less favorable than expected, including, without limitation, the failure of the spin-off to qualify as a transaction that is tax-free for U.S. federal
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income tax purposes to our shareholders. There can be no assurance that the spin-off will occur or, if it does occur, of its terms or timing.

In connection with the separation and distribution, GXO and XPO will enter into several agreements to implement the legal and structural separation between the two companies; govern the relationship between GXO and XPO after the completion of the separation; and allocate between GXO and XPO various assets, liabilities and obligations, including, among other things, employee benefits, intellectual property and tax-related assets and liabilities.

## **Impacts of COVID-19**

As a global provider of supply chain solutions, our business can be impacted to varying degrees by factors beyond our control. The rapid escalation of COVID-19 into a pandemic in 2020 has affected, and will continue to affect, economic activity broadly and customer sectors served by our industry.

In response to the COVID-19 pandemic, the governments of many countries, states, cities and other geographic regions have taken and are continuing to take preventative or reactive actions, such as imposing restrictions on travel and business operations and establishing guidelines for social distancing and occupational safety. Due to the critical role we play in moving goods in the markets we serve, GXO is considered an "essential business," providing supply chain solutions to crucial industries. As a result, our sites have generally remained open and operating, and we have continued to serve our customers while employing significant measures to protect our employees and keep them safe.

The COVID-19 pandemic and associated impacts on economic activity had an adverse effect on our results of operations and financial condition as of and for the year ended December 31, 2020, as discussed below. We experienced declines in demand for our services that began in the first quarter of 2020, had a substantial impact in the second quarter of 2020, and abated throughout the second half of 2020. These declines in demand meaningfully affected our results in both North America and Europe.

Due to the largely unprecedented and evolving nature of the COVID-19 pandemic, it remains very difficult to predict the extent of the impact on our industry generally and our business in particular. Furthermore, the extent and pace of a recovery remains uncertain and may differ significantly among the countries in which we operate. We expect our results of operations will continue to be impacted by this pandemic in 2021.

We have incurred net incremental costs related to COVID-19 to ensure that we meet the needs of our customers and employees; these include costs for personal protective equipment ("PPE"), temporary site closures, site cleanings and enhanced employee benefits. We also implemented supplemental "appreciation pay" programs for thousands of frontline employees who continued to work during the pandemic. We expect to continue to incur additional costs as we implement operational changes in response to the pandemic. However, the majority of our cost base is variable, and we have taken and, if appropriate, will continue to take aggressive actions to adjust our expenses to reflect changes in demand for our services. These actions include reduced use of contractors, reduced employee hours, furloughs, layoffs and required use of paid time off, consistent with applicable regulations. While we could not fully offset the decrease in demand for our services arising from the economic disruption of the pandemic in 2020, the actions we have taken, combined with the variable components of our cost structure, have helped to mitigate the impact on our profitability.

A further discussion of the potential impact of the COVID-19 pandemic on our business is set forth above in Risk Factors.

#### **Basis of Presentation**

The combined financial statements of the Company were prepared on a standalone basis and have been derived from the combined financial statements and accounting records of XPO. Historically, separate financial statements have not been prepared for the Company, and it has not operated as a standalone business separate from XPO. The combined financial statements include certain assets

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and liabilities that have historically been held by XPO or by other XPO subsidiaries but are specifically identifiable or otherwise

attributable to the Company. Significant

intercompany balances and transactions between the operations of the GXO legal entities have been eliminated in the accompanying combined financial statements. All significant related party transactions between GXO and XPO have been included in these combined financial statements as components of XPO investment. We prepare our combined financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which requires us to make estimates and assumptions that impact the amounts reported and disclosed in our combined financial statements and the accompanying notes. We prepared these estimates based on the most current and best available information, but actual results could differ materially from these estimates and assumptions, particularly in light of the outbreak of a strain of coronavirus, COVID-19.

The Combined Balance Sheets include certain assets and liabilities directly attributable to GXO, and the Combined Statements of Operations include allocations of XPO costs and expenses, as described below.

XPO's corporate function ("Corporate") incurs a variety of expenses including, but not limited to, information technology, human resources, accounting, sales and sales operations, procurement, executive services, legal, corporate finance and communications. For purposes of the Combined Statements of Operations, an allocation of these expenses is included to burden all business units comprising XPO's historical operations. The charges reflected have either been specifically identified or allocated using drivers including proportional adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA"), which includes adjustments for transaction and integration costs, as well as restructuring costs and other adjustments, or headcount. The majority of these allocated costs are recorded in Sales, general and administrative expense ("SG&A") and Depreciation and amortization expense in the Combined Statements of Operations. We believe the assumptions regarding allocations of XPO corporate expenses are reasonable. Nevertheless, the combined financial statements may not reflect the combined results of operations, financial position and cash flows had the Company been a standalone entity during the periods presented.

Direct operating expenses are comprised of both fixed and variable expenses and consist of operating costs related to our logistics facilities, including personnel costs, facility and equipment expenses, such as rent, utilities, equipment maintenance and repair, transportation costs, costs of materials and supplies and information technology expenses. SG&A, including the allocated costs of XPO, primarily consists of salary and benefit costs for executive and certain administration functions, professional fees, facility costs other than those related to our logistics facilities, bad debt expense and legal costs. We report depreciation and amortization expense as a separate line within operating income on our Combined Statements of Operations.

XPO investment represents XPO's historical investment in GXO, and includes the net effects of transactions with and allocations from XPO, as well as GXO's accumulated earnings. Certain transactions between GXO and XPO, including XPO's non-GXO subsidiaries, have been included in these combined financial statements, and are considered to be effectively settled at the time the transaction was recorded. The total net effect of the cash settlement of these transactions is reflected in the Combined Statements of Cash Flows as a financing activity and in the Combined Balance Sheets as XPO investment. The components of the net transfers to and from XPO include certain costs allocated from Corporate functions, income tax expense, certain cash receipts and payments made on behalf of GXO and general financing activities.

GXO has a single reportable segment.

## **Combined Summary Financial Table**

	 Three Months I	Ended March 31,	Percent of	Percent of Revenue		
(In millions)	2021	2020	2021	2020		
Revenue	\$ 1,822	\$ 1,440	100.0 %	100.0 %		
Direct operating expense	1,520	1,203	83.4 %	83.5 %		
Sales, general and administrative expense	171	142	9.4 %	9.9 %		
Depreciation and amortization expense	79	76	4.3 %	5.3 %		
Transaction and integration costs	18	17	1.0 %	1.2 %		
Restructuring costs	 4	_	0.2 %	%		
Operating income	\$ 30	\$ 2	1.7 %	0.1 %		
Other income	(1)	(1	_ %	(0.1)%		
Interest expense	 5	7	0.3 %	0.5 %		
Income (loss) before income taxes	\$ 26	\$ (4	1.4 %	(0.3)%		
Income tax provision	 9	6	0.5 %	0.4 %		
Net income (loss)	\$ 17	\$ (10	0.9 %	(0.7)%		

# Three Months Ended March 31, 2021 Compared with Three Months Ended March 31, 2020

Our revenue increased 26.5% to \$1.8 billion in first quarter of 2021, compared with \$1.4 billion for the same quarter in 2020. The increase in revenue compared to the first quarter of 2020 reflects 38.4% growth in our European business and 8.6% growth in our North American business, driven by increases in revenues from our e-commerce/retail and food and beverage customers. Also impacting our revenue was the Kuehne + Nagel business we acquired in January 2021, which contributed approximately 13.6 percentage points to revenue growth in our European business and 8.2 percentage points to our total revenue growth. Foreign currency movement increased revenue by approximately 5.5 percentage points in 2021.

Direct operating expense in the first quarter of 2021 was \$1.5 billion, or 83.4% of revenue, compared with \$1.2 billion, or 83.5% of revenue, for the same quarter in 2020. As a percentage of revenue, compensation costs and third-party transportation costs decreased direct operating expense by approximately 1.1% and 0.7%, respectively. These decreases were offset by higher temporary labor and maintenance costs, which increased direct operating expense by approximately 0.7% and 0.6%, respectively, as a percentage of revenue.

SG&A was \$171 million for the first quarter of 2021, or 9.4% of revenue, compared with \$142 million, or 9.9% of revenue, for the same quarter in 2020. The year-over-year decrease in SG&A as a percentage of revenue primarily resulted from lower compensation costs as a percentage of revenue due to the significant year-over-year increase in revenues.

Depreciation and amortization expense for the first quarter of 2021 was \$79 million, compared with \$76 million for the same quarter in 2020. Depreciation and amortization expense included amortization of acquisition-related intangible assets of \$14 million in the first quarter of 2021 and 2020.

Transaction and integration costs for the first quarter in 2021 are primarily related to costs related to our planned spin-off.

We engage in restructuring actions as part of our ongoing efforts to best use our resources and infrastructure. We recorded restructuring charges of \$4 million for severance costs in the first quarter of 2021. For further information on our restructuring actions, see Note 5—Restructuring Charges to the Condensed Combined Interim Financial Statements.

Other income for the first quarter of both 2021 and 2020 was \$1 million and primarily consists of pension income.

Interest expense for the first quarter of 2021 decreased 28.6% to \$5 million, from \$7 million for the same quarter in 2020. The decrease in interest expense was primarily due to lower average total indebtedness.

Our effective income tax rate was 33.4% and (124.7)% in the first three months of 2021 and 2020, respectively. The effective tax rates for the first quarter of 2021 and 2020 were based on forecasted full-year effective tax rates. The negative effective income tax rate for the first quarter of 2020 was primarily driven by contribution- and margin-based taxes which we incurred even though our pretax income was negative.

## **Combined Summary Financial Table**

	Years Ended December 31,			Percent of Revenue				
(In millions)		2020		2019	2018	2020	2019	2018
Revenue	\$	6,195	\$	6,094	\$ 6,065	100.0 %	100.0 %	100.0 %
Direct operating expense		5,169		5,112	5,117	83.4 %	83.9 %	84.4 %
Sales, general and administrative expense		611		514	528	9.9 %	8.4 %	8.7 %
Depreciation and amortization expense		323		302	261	5.2 %	5.0 %	4.3 %
Transaction and integration costs		47		1	9	0.8 %	<b></b> %	0.1 %
Restructuring costs		29		15	 7	0.5 %	0.2 %	0.1 %
Operating income		16		150	143	0.3 %	2.5 %	2.4 %
Other income		(2)		(1)	(13)	%	%	(0.2)%
Interest expense		24		33	30	0.4 %	0.5 %	0.5 %
Income (loss) before income taxes		(6)		118	 126	(0.1)%	1.9 %	2.1 %
Income tax provision		16		37	36	0.3 %	0.6 %	0.6 %
Net income (loss)	\$	(22)	\$	81	\$ 90	(0.4)%	1.3 %	1.5 %

#### Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Our revenue increased 1.7% to \$6.2 billion in 2020, compared with \$6.1 billion in 2019. The increase in revenue compared to 2019 reflects 5.5% growth in our European business, partially offset by a 4.2% decline in our North American business. The growth in our European business was primarily driven by higher revenues from our e-commerce/retail customers, partially offset by the impact of COVID-19. The decline in our North America business was driven by the impact of COVID-19 and our elimination of certain low-margin business. Foreign currency movement increased revenue by approximately 0.8 percentage points in 2020.

Direct operating expense in 2020 was \$5.2 billion, or 83.4% of revenue, compared with \$5.1 billion, or 83.9% of revenue, in 2019. The year-over-year decrease as a percentage of revenue was primarily driven by lower temporary labor and third-party transportation costs, which decreased direct operating expense by approximately 1.0% and 0.6%, respectively, as a percentage of revenue. These decreases were partially offset by higher payroll costs, which increased direct operating expense by approximately 1.0%, as well as other incremental COVID-19-related costs. Additionally, 2020 and 2019 included \$1 million and \$9 million, respectively, from gains on sales of property and equipment.

SG&A was \$611 million in 2020, or 9.9% of revenue, compared with \$514 million, or 8.4% of revenue, in 2019. The year-over-year increase in SG&A as a percentage of revenue primarily resulted from higher compensation costs. Compensation costs were higher for the year ended December 31, 2020 in comparison to the prior-year period due to the strength of our operating performance in a challenging macro-environment.

Depreciation and amortization expense in 2020 was \$323 million, compared with \$302 million in 2019. The increase was primarily due to the impact of prior capital investments, new contract startups and accelerated depreciation due to contract modifications. Depreciation and amortization expense included amortization of acquisition-related intangible assets of \$57 million in 2020, compared to \$60 million in 2019.

Transaction and integration costs in 2020 are primarily related to XPO's previously announced exploration of strategic alternatives that was terminated in March 2020 and costs related to the acquisition of Kuehne + Nagel's U.K. logistics business, which was completed in 2021.

We engage in restructuring actions as part of our ongoing efforts to best use our resources and infrastructure, including actions in response to COVID-19. We expect the restructuring initiatives to which the 2020 charges relate

to be complete by December 31, 2021. Once complete, these initiatives are expected to generate annualized pre-tax savings of approximately \$30 million. For further information on our restructuring actions, see Note 5—Restructuring Charges to the Combined Financial Statements.

Other income primarily consists of pension income. Other income for 2020 was \$2 million, compared with \$1 million in 2019.

Interest expense for 2020 decreased to \$24 million, from \$33 million in 2019. The decrease in interest expense was primarily due to lower average total indebtedness.

Our effective income tax rate was (264.5)% and 31.4% in 2020 and 2019, respectively. The decrease in our effective income tax rate for the year ended December 31, 2020 compared to the year ended December 31, 2019 was primarily driven by the incurrence of contribution- and margin-based taxes in both periods combined with a pretax loss in 2020 compared to pretax income in 2019.

The U.S. Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") enacted in March 2020 provides numerous tax provisions and other stimulus measures, including temporary changes regarding the prior and future utilization of net operating losses, temporary changes to the prior and future limitations on interest deductions, and technical corrections from prior tax legislation for tax depreciation of certain qualified improvement property. We have applied the provisions of the CARES Act relating to income taxes and there was no material income tax benefit on our Consolidated Statements of Operations in 2020. Additionally, our cash flows benefited from the ability to defer the payment of certain payroll taxes that would otherwise have been due in 2020. We have not applied for any government loans under the CARES Act or similar laws.

## Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

Our revenue for 2019 increased by 0.5% to \$6.09 billion, from \$6.07 billion in 2018. The increase in revenue compared to 2018 was primarily driven by 5.0% growth of our North American business, partially offset by a 2.2% decline in revenue in Europe, primarily due to foreign currency movement. The growth of our North American business was led by higher revenues from our food and beverage, consumer packaged goods and aerospace customers. Foreign currency movement reduced revenue growth by approximately three percentage points in 2019.

Direct operating expense in 2019 was \$5.1 billion, or 83.9% of revenue, compared with \$5.1 billion, or 84.4% of revenue, in 2018. The year-over-year decrease as a percentage of revenue was primarily driven by lower temporary labor and third-party transportation costs, which decreased direct operating expense by approximately 1.6% and 0.3%, respectively, as a percentage of revenue. These decreases were partially offset by higher personnel costs to support growth in the North American business, which increased direct operating expense by approximately 1.6% as a percentage of revenue. Additionally, 2019 and 2018 included \$9 million and \$2 million, respectively, from gains on sales of property and equipment.

SG&A was \$514 million in 2019, or 8.4% of revenue, compared with \$528 million, or 8.7% of revenue, in 2018. The year-over-year decrease in SG&A as a percentage of revenue primarily resulted from lower bad debt and overhead expenses, which in aggregate decreased SG&A by approximately 0.6% as a percentage of revenue.

Depreciation and amortization expense in 2019 was \$302 million, compared with \$261 million in 2018. The increase was primarily due to the impact of prior capital investments and new contract startups.

Transaction and integration costs in 2018 are primarily related to litigation expenses.

Other income for 2019 was \$1 million, compared with \$13 million in 2018. Included in Other income for 2018 was a gain of \$9 million related to a terminated swap.

Interest expense for 2019 increased to \$33 million	, from \$30 million in 2018	. The increase in interest	expense was primarily due to
higher average total indebtedness.			

Our effective income tax rate was 31.4% and 28.9% in 2019 and 2018, respectively. The increase in our effective income tax rate for 2019 compared to 2018 was primarily driven by changes in our valuation allowances.

## **Liquidity and Capital Resources**

Our principal existing sources of cash are cash generated from operations and funding from XPO.

Treasury activities at XPO are generally centralized, while certain balances are managed locally, except as noted below. To the extent cash and cash equivalents are legally owned by GXO, they are reflected in the combined financial statements.

Our European subsidiaries use a centralized notional pooling approach to cash management and the financing of their operations. To the extent additional financing is required, XPO, including its affiliates, funds the European subsidiaries' operating and investing activities. This arrangement is not reflective of the manner in which the Company would have financed its operations had it been a standalone business separate from XPO during the periods presented. All cash management accounts and transactions are reflected in the Combined Balance Sheets as cash and cash equivalents and in the Combined Statements of Cash Flows as operating activities. For our European subsidiaries, none of the cash and cash equivalents or debt at the corporate level has been assigned to the Company in the Combined Financial Statements. Under the notional pooling arrangements, since there is no immediate contractual obligation for us to cover any negative cash positions of these pooling arrangements related to other members, including other XPO affiliates, no obligation or guarantee to cover any such negative cash positions has been included in the Combined Balance Sheets.

We continually evaluate our liquidity requirements in light of our operating needs, growth initiatives and capital resources. We believe that our existing liquidity and sources of capital are sufficient to support our operations over the next 12 months. In conjunction with the planned spin-off, we expect to further evaluate our liquidity needs, capital structure and sources of capital on a standalone basis.

#### Financial Condition

The following table summarizes our asset and liability balances as of March 31, 2021, December 31, 2020 and December 31, 2019:

	March 31, December 31,		31,
(In millions)	2021	2020	2019
Total current assets	2,034	1,836	1,488
Total long-term assets	5,086	4,712	4,663
Total current liabilities	1,894	1,738	1,483
Total long-term liabilities	2,183	1,862	1,971

Total assets increased \$397 million from December 31, 2019 to December 31, 2020 primarily due to higher cash and cash equivalents and accounts receivable, the latter of which is due to higher revenues and reduced factoring of our receivables. Total liabilities increased \$146 million from December 31, 2019 to December 31, 2020 due to an increase in accrued expenses in 2020, primarily due to the deferral of payroll tax payments as a result of the CARES Act.

The increase in our assets and liabilities from December 31, 2020 to March 31, 2021 primarily reflects the impact of the Kuehne + Nagel business acquired in January 2021.

## Trade Receivables Securitization and Factoring Programs

We sell certain of our trade accounts receivable on a non-recourse basis to third-party financial institutions under factoring agreements. We account for these transactions as sales of receivables and present cash proceeds as cash provided by operating activities in the Combined Statements of Cash Flows. We also sell certain European trade accounts receivable under a securitization program

described below. We use trade receivables extended payment terms for some of our cu	toring programs to n	cip manage our easir i	nows and offset the in	ipact of
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XPO Logistics Europe, one of our majority-owned subsidiaries, participates in a trade receivables securitization program coarranged by three European banks (the "Purchasers"). Under the program, a wholly-owned bankruptcy-remote special purpose entity of XPO Logistics Europe sells trade receivables that originate with wholly-owned subsidiaries of XPO Logistics Europe to unaffiliated entities managed by the Purchasers. The special purpose entity is a variable interest entity and has been presented within these combined financial statements based on our control of the entity's activities.

We account for transfers under our securitization and factoring arrangements as sales because we sell full title and ownership in the underlying receivables and control of the receivables is considered transferred. For these transfers, the receivables are removed from our Combined Balance Sheets at the date of transfer. In the securitization and factoring arrangements, our continuing involvement is limited to servicing the receivables. The fair value of any servicing assets and liabilities is immaterial. Our current trade receivables securitization program also permits us to borrow, on an unsecured basis, cash collected in a servicing capacity on previously sold receivables, which we report within short-term debt on our Combined Balance Sheets. In addition to selling trade receivables which originate with GXO, the special purpose entity also purchases trade receivables from XPO and sells assets to the Purchasers. The trade receivables which have been purchased from XPO have been reflected within Other current assets in the Combined Balance Sheets, and the related cash flows have been reflected within Purchase and sale of affiliate trade receivables, net, within investing activities in the Combined Statements of Cash Flows. See Note 10—Debt to the Combined Financial Statements and Note 6—Debt to the Interim Condensed Combined Financial Statements for additional information related to our receivables securitization secured borrowing program and these borrowings.

Under a prior securitization program that was terminated in July 2019, we accounted for transfers as either sales or secured borrowings based on an evaluation of whether control has transferred. For the transfers that did not meet the criteria for surrender of control, the transaction was accounted for as a secured borrowing. These secured borrowings were repaid when the program was terminated. For transfers that were accounted for as sales, the consideration received included a simultaneous cash payment and a deferred purchase price receivable. The cash payment which we received on the date of the transfer was reflected within Net cash provided by operating activities on our Combined Statement of Cash Flows. As we received cash payments on the deferred purchase price receivable, it was reflected as an investing activity. The current program does not include a deferred purchase price mechanism.

The maximum amount of net cash proceeds available at any one time under the current program, inclusive of any unsecured borrowings, is €400 million (approximately \$469 million as of March 31, 2021). As of March 31, 2021, €82 million (approximately \$96 million) was available under the program, subject to having sufficient receivables available to sell to the Purchasers.

Information related to the trade receivables sold was as follows:

	Tł	ree Months	irch 31,	Years Ended December 31,							
(In millions)	2021		2020		2020		2019			2018	
Securitization programs (1)											
Receivables sold in period	\$	347	\$	319	\$	1,491	\$	1,023	\$	146	
Cash consideration		347		319		1,491		943		113	
Deferred purchase price		_		_		_		80		33	
Factoring programs											
Receivables sold in period		100		246		612		794		612	
Cash consideration		100		245		611		790		609	

(1)	Receivable transfers under the securitization programs are accounted for as either sales or secured borrowings. In the prior program, a portion of the transfers were accounted for as secured borrowings while under the current program, all transfers are accounted for as sales. This change had the effect of increasing the amount of									
	trade receivables we reported as sold beginning in 2019.									
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# Cash Flow Activity for the Three Months Ended March 31, 2021 and 2020

Our cash flows from operating, investing and financing activities, as reflected on our Condensed Combined Statements of Cash Flows, are summarized as follows:

	Three Months Ended March 31,						
(In millions)		2021	2020				
Net cash provided by operating activities	\$	47 \$	41				
Net cash used in investing activities		(38)	(37)				
Net cash provided by financing activities		80	81				
Effect of exchange rates on cash, cash equivalents and restricted cash		(3)	(13)				
Net increase in cash, cash equivalents and restricted cash	\$	86 \$	72				

During the first quarter of 2021, we: (i) generated cash from operating activities of \$47 million and (ii) received net transfers from XPO of \$138 million. We used cash during this period primarily to: (i) purchase property and equipment of \$67 million and (ii) make payments on debt and finance leases of \$26 million.

During the first quarter of 2020, we: (i) generated cash from operating activities of \$41 million; (ii) received net transfers from XPO of \$55 million; and (iii) received net proceeds related to secured borrowing activity of \$84 million. We used cash during this period primarily to: (i) make payments on debt and finance leases of \$62 million and (ii) purchase property and equipment of \$48 million.

Cash flows from operating activities for the first quarter of 2021 increased by \$6 million compared with 2020. The increase reflects higher net income, partially offset by the impact of operating assets and liabilities generating \$38 million less in cash in 2021.

Investing activities used \$38 million of cash for the first quarter of 2021, compared with \$37 million used for the same quarter in 2020. During for the first quarter of 2021, we used \$67 million of cash to purchase property and equipment and received \$20 million, net, in connection with the purchase and sale of affiliate trade receivables. During the same quarter in 2020, we used \$48 million of cash to purchase property and equipment and received \$8 million, net, in connection with the purchase and sale of affiliate trade receivables and received \$3 million of cash from sales of property and equipment.

Financing activities generated \$80 million of cash for the first quarter of 2021 and generated \$81 million of cash for the same quarter in 2020. The primary source of cash from financing activities for the first quarter of 2021 were \$138 million of net transfers from XPO. The primary uses of cash from financing activities for the first quarter of 2021 were \$26 million used to repay debt and finance leases and \$25 million from net borrowings related to our securitization program. By comparison, the primary sources of cash from financing activities in the first quarter of 2020 were \$84 million of net proceeds related to secured borrowing activity and \$55 million of net transfers from XPO. The primary uses of cash from financing activities in the first quarter of 2020 were \$62 million used to repay debt and finance leases.

## Cash Flow Activity for the Years Ended December 31, 2020, 2019 and 2018

Our cash flows from operating, investing and financing activities, as reflected on our Combined Statements of Cash Flows, are summarized as follows:

_	Years Ended December 31,									
(In millions)		2020		2019	2018					
Net cash provided by operating activities	\$	333	\$	145	\$	335				
Net cash used in investing activities		(280)		(147)		(240)				
Net cash provided by (used in) financing activities		67		(102)		(38)				
Effect of exchange rates on cash, cash equivalents and restricted cash		8		3		(11)				
Net increase (decrease) in cash, cash equivalents and restricted cash		128	\$	(101)	\$	46				

During 2020, we: (i) generated cash from operating activities of \$333 million and (ii) received net transfers from XPO of \$168 million. We used cash during this period primarily to: (i) purchase property and equipment of \$222 million and (ii) make payments on debt and finance leases of \$123 million.

During 2019, we: (i) generated cash from operating activities of \$145 million; (ii) collected \$112 million on the deferred purchase price receivable as described above; (iii) received net transfers from XPO of \$278 million; and (iv) received net proceeds related to secured borrowing activity of \$261 million. We used cash during this period primarily to: (i) purchase property and equipment of \$222 million; (ii) make payments on debt and finance leases of \$376 million; and (iii) purchase noncontrolling interests of \$258 million.

During 2018, we: (i) generated cash from operating activities of \$335 million and (ii) received net transfers from XPO of \$65 million. We used cash during this period primarily to: (i) purchase property and equipment of \$270 million and (ii) make payments on debt and finance leases of \$139 million.

Cash flows from operating activities for 2020 increased by \$188 million compared with 2019. The increase reflects the impact of operating assets and liabilities generating \$310 million more in cash in 2020, partially offset by lower net income. Within operating assets and liabilities, accrued expenses and other liabilities was a source of cash for 2020 as compared to a use of cash in 2019. This fluctuation reflects the deferral of certain tax payments and an increase in compensation and purchased transportation accruals in 2020.

Cash flows from operating activities for 2019 decreased by \$190 million compared with 2018. The decrease primarily reflects the impact of operating assets and liabilities generating \$240 million less cash in 2019. Within operating assets and liabilities, accounts receivable was a use of cash in 2019 compared to a source of cash in 2018, which reflected increased revenues in 2019.

Investing activities used \$280 million of cash in 2020, compared with \$147 million used in 2019 and \$240 million used in 2018. During 2020, we used \$222 million of cash to purchase property and equipment, received \$12 million from sales of property and equipment and used \$40 million, net, in connection with the purchase and sale of affiliate trade receivables. During 2019, we used \$222 million of cash to purchase property and equipment, received \$15 million of cash from sales of property and equipment, received proceeds of \$112 million related to the realization of cash on deferred purchase price receivable and used \$52 million, net, in connection with the purchase and sale of affiliate trade receivables. During 2018, we used \$270 million of cash to purchase property and equipment and received \$30 million of cash from sales of property and equipment.

Financing activities generated \$67 million of cash in 2020, used \$102 million of cash in 2019 and used \$38 million of cash in 2018. The primary sources of cash from financing activities in 2020 were \$168 million of net transfers from XPO and \$24 million from net borrowings related to our securitization program. The primary uses of cash from financing activities in 2020 were \$123 million used to

repay debt and finance leases. By comparison, the primary sources of cash from financing activities in 2019 were \$278 million of net transfers from XPO and \$261 million of net proceeds related to secured borrowing activity on our securitization program. The primary uses of cash from financing activities in 2019 were \$376 million used to repay debt and finance leases and \$258 million
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used to purchase a shareholder's noncontrolling interest in XPO Logistics Europe SA. The primary uses of cash from financing activities in 2018 were \$139 million used to repay debt and finance leases. The primary sources of cash from financing activities in 2018 were \$65 million of net transfers from XPO and \$47 million of net proceeds related to secured borrowing activity on our securitization program.

## **Off-Balance Sheet Arrangements**

We do not engage in any off-balance sheet financial arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

## **Contractual Obligations**

The table below reflects our contractual obligations as of December 31, 2020. As of March 31, 2021, the Company's future contractual obligations have not materially changed.

	Payments Due by Period									
(In millions)	Total		2021		2022-2023		2024-2025		Thereafter	
Contractual obligations										
Finance leases	\$	206	\$	34	\$	61	\$	36	\$	75
Operating leases (1)		1,632		381		605		333		313
Debt (excluding finance leases)		515		26		2		351		136
Interest on related-party debt (2)		39		18		20		1		_
Total contractual obligations	\$	2,392	\$	459	\$	688	\$	721	\$	524

- (1) As of December 31, 2020, we had additional operating leases that have not yet commenced with future undiscounted lease payments of \$143 million. These operating leases will commence in 2021 through 2022 with initial lease terms of 2 years to 10 years.
- (2) Estimated interest payments have been calculated based on the outstanding amount of debt and the applicable interest rates as of December 31, 2020.

As of December 31, 2020, our Combined Balance Sheet reflects a long-term liability of \$54 million for deferred taxes. Additionally, our Combined Balance Sheet reflects gross unrecognized tax benefits of \$4 million, which are primarily included in long-term liabilities. As the timing of future cash outflows for these liabilities is uncertain, they are excluded from the above table. Actual amounts of contractual cash obligations may differ from estimated amounts due to changes in foreign currency exchange rates. We anticipate net capital expenditures to be between \$225 million and \$275 million in 2021, funded by cash on hand and available liquidity.

The above table also excludes the principal amount of indebtedness expected to be incurred in connection with the separation and distribution of approximately \$800 million and associated interest payments of \$16 million per year. See "Description of Material Indebtedness" for additional discussion.

## **Critical Accounting Policies**

We prepare our combined financial statements in accordance with U.S. generally accepted accounting principles. The methods, assumptions, and estimates that we use in applying our accounting policies may require us to apply judgments regarding matters that are inherently uncertain and may change based on changing circumstances or changes in our analysis. Material changes in these assumptions, estimates and/or judgments have the potential to materially alter our results of operations. We have identified below our accounting policies that we believe could potentially produce materially different results if we were to change underlying assumptions,

estimates and/or judgments. Although actual results may differ from estimated results, we believe the estimates are reasonable and appropriate.

# Corporate Expense Allocation

The Combined Financial Statements of GXO include general corporate expenses for certain support functions that are provided on a centralized basis, such as expenses related to information technology, human resources, accounting, sales and sales operations, procurement, executive services, legal, corporate finance and

communications. For purposes of the Combined Statements of Operations, an allocation of these expenses is included to burden all business units comprising XPO's historical operations. The charges reflected have either been specifically identified or allocated using drivers including proportional adjusted EBITDA, which includes adjustments for transaction and integration costs, as well as restructuring costs and other adjustments, or headcount. All such costs have been deemed to have been incurred and settled through XPO investment in the period when the costs were recorded.

## Evaluation of Goodwill

We measure goodwill as the excess of consideration transferred over the fair value of net assets acquired in business combinations. We allocate goodwill to our reporting units for the purpose of impairment testing. We evaluate goodwill for impairment annually, or more frequently if an event or circumstance indicates an impairment loss may have been incurred. We measure goodwill impairment, if any, at the amount a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill. We have two reporting units. Application of the goodwill impairment test requires judgment, including the identification of the reporting unit, the assignment of assets and liabilities to the reporting unit, the assignment of goodwill to the reporting unit, and a determination of the fair value of the reporting unit.

For our 2020 and 2019 goodwill assessments, we performed a quantitative analysis for both of our reporting units using a combination of income and market approaches, with the assistance of a third-party valuation specialist. As of August 31, 2020 and 2019, we completed our annual impairment tests for goodwill and both of our reporting units had fair values in excess of their carrying values, resulting in no impairment of goodwill.

The income approach of determining fair value is based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. The discount rates reflect management's judgment and are based on a risk adjusted weighted-average cost of capital utilizing industry market data of businesses similar to the reporting units. Inherent in our preparation of cash flow projections are assumptions and estimates derived from a review of our operating results, business plans, expected growth rates, cost of capital and tax rates. Our forecasts also reflect expectations concerning future economic conditions, interest rates and other market data. The market approach of determining fair value is based on comparable market multiples for companies engaged in similar businesses, as well as recent transactions within our industry. We believe this approach, which utilizes multiple valuation techniques, yields the most appropriate evidence of fair value.

Many of the factors used in assessing fair value are outside the control of management, and these assumptions and estimates may change in future periods. Changes in assumptions or estimates could materially affect the estimate of the fair value of a reporting unit, and therefore could affect the likelihood and amount of any potential impairment.

# **New Accounting Standards**

Information related to new accounting standards is included in Note 2—Basis of Presentation and Significant Accounting Policies to the Combined Financial Statements and Note 2—Basis of Presentation to the Condensed Combined Financial Statements.

#### MANAGEMENT

# **Executive Officers Following the Distribution**

The following table sets forth information regarding the individuals who are expected to serve as executive officers of GXO following the completion of the distribution. We are in the process of identifying the other persons who will be our executive officers following the completion of the distribution and will include information concerning those persons in an amendment to this information statement.

Name	Age	Position
Malcolm Wilson	62	Chief Executive Officer
Baris Oran	47	Chief Financial Officer
Karlis Kirsis	42	Chief Legal Officer
Maryclaire Hammond	55	Chief Human Resources Officer

Malcolm Wilson currently serves as chief executive officer of XPO Logistics Europe. Under his leadership of XPO Logistics Europe, XPO's European logistics business achieved unprecedented growth and efficiencies. Mr. Wilson has three decades of executive experience managing multinational supply chain operations in North America, Europe and Asia. He joined XPO in 2015 through the company's acquisition of industry leader Norbert Dentressangle, where he led the logistics division and served on the executive board. Mr. Wilson grew the logistics division to global scale as Norbert Dentressangle's largest revenue-producing unit.

Baris Oran currently serves as chief financial officer of XPO's Logistics segment. Mr. Oran joined XPO on May 14, 2021, having previously served as chief financial officer of the Sabanci Group, one of Turkey's largest publicly traded companies. Mr. Oran served as chief financial officer of Sabanci from 2016 to 2021, prior to which he held other senior finance roles at the company. Mr. Oran was previously employed by Kordsa Global, Ernst and Young, Sara Lee Corp, and Price Waterhouse Coopers. Mr. Oran also has significant board experience, including serving as executive chairman of Teknosa since 2019.

**Karlis Kirsis** currently serves as senior vice president, European Chief Legal Officer, Corporate Secretary for XPO, a role he has held since February 2020. In this role, Mr. Kirsis is responsible for advising senior executives and XPO's board of directors on a wide range of strategic initiatives. Mr. Kirsis previously served in various roles at XPO, including senior vice president, Corporate Counsel, from July 2017 to February 2020, and vice president, Corporate and Securities Counsel, from September 2016 to July 2017. Prior to his time with XPO, Mr. Kirsis was a corporate associate with Skadden, Arps, Slate, Meagher & Flom LLP from 2007 to 2016.

Maryclaire Hammond currently serves as senior vice president, human resources – Americas and Asia Pacific for XPO's North American logistics business, a role she has held since September 2019. In this capacity, Ms. Hammond oversees the employment culture of more than 22,000 XPO employees at over 300 locations in the America's and Asia Pacific. Prior to her time with XPO, Ms. Hammond was employed by Marathon Petroleum Company (formerly Andeavor) as a senior human resources director from August 2017 – September 2019, and before that as human resources director for BP North America. Additionally, she served as a Global Vice President of Human Resources with Honeywell in Rolle, Switzerland.

#### DIRECTORS

## **Board Structure and Directors Following the Distribution**

Our amended and restated certificate of incorporation will provide for a classified board of directors, with members of each class serving staggered three-year terms. We will have [ ] directors in Class I, [ ] directors in Class II and [ ] directors in Class III. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. The terms of directors in Classes I, II and III end at the annual meetings in 2022, 2023 and 2024, as indicated below.

Following the completion of the distribution, commencing with the first annual meeting of stockholders following the distribution, directors for each class will be elected at the annual meeting of stockholders held in the year in which the term for that class expires and thereafter will serve for a term of three years. Commencing with the second annual meeting of stockholders after the completion of the distribution, directors for each class will be elected at the annual meeting of stockholders held in the year in which the term for that class expires and thereafter each director will serve for a term of one year and until his or her successor is duly elected and qualified, or until his or her earlier resignation or removal. Consequently, by 2025, all of our directors will stand for election each year for one-year terms, and our board will therefore no longer be divided into three classes.

The following table sets forth information as of July [ ], 2021 regarding the individuals who are expected to serve on GXO's board of directors following completion of the distribution and until their respective successors are duly elected and qualified. We are in the process of identifying the other persons who are expected to serve on GXO's board of directors following the completion of the distribution and will include information concerning those persons in an amendment to this information statement.

Name	Age	Position	Class
Brad Jacobs	64	Chairman of the Board	Class [ ]—Expiring 202[ ]
Oren Shaffer	78	Lead Independent Director	Class [ ]—Expiring 202[ ]
Marlene Colucci	58	Vice Chair	Class [ ]—Expiring 202[ ]
Gena Ashe	59	Director	Class [ ]—Expiring 202[ ]
Clare Chatfield	63	Director	Class [ ]—Expiring 202[ ]
Joli Gross	51	Director	Class [ ]—Expiring 202[ ]
Malcolm Wilson	62	Director	Class [ ]—Expiring 202[ ]
[ ]	[ ]	Director	Class [ ]—Expiring 202[ ]

**Brad Jacobs,** chairman and chief executive officer of XPO Logistics, has started five companies from scratch and led each of them to become a billion dollar or multi-billion dollar enterprise. These include XPO Logistics (NYSE: XPO) and two other publicly traded companies: United Rentals (NYSE: URI) and United Waste Systems. XPO Logistics and United Rentals were among the 20 best-performing stocks of the last decade. Prior to starting XPO in 2011, Mr. Jacobs founded United Rentals in 1997 and led the company for 10 years as chairman, including six years as chief executive officer. He founded United Waste Systems in 1989 and served eight years as chairman and chief executive officer.

Oren Shaffer served as a director of XPO from September 2, 2011 until the separation. From 2002 to 2007, Mr. Shaffer was vice chairman and chief financial officer of Qwest Communications International, Inc. (now CenturyLink, Inc.). Previously, Mr. Shaffer was president and chief operating officer of Sorrento Networks, Inc., executive vice president and chief financial officer of Ameritech

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Corporation, and held senior executive positions with The Goodyear Tire & Rubber Company, where he also served on the board of

Marlene Colucci served as a director of XPO from February 7, 2019 until the separation. She has served as the executive director of The Business Council in Washington, D.C. since July 2013. Previously, from September 2005 to June 2013, she was executive vice president of public policy for the American Hotel & Lodging Association. From September 2003 to June 2005, she served in the White House as special assistant to President George W. Bush in the Office of Domestic Policy. In this role, she developed labor, transportation and postal reform policies and advised the president and his staff on related matters. Earlier, Ms. Colucci served as deputy assistant secretary with the U.S. Department of Labor's Office of Congressional and Intergovernmental Affairs. Her law career includes more than 12 years with the firm of Akin Gump Strauss Hauer & Feld LLP, where she served as senior counsel.

Gena Ashe served as a director of XPO from March 21, 2016 until the separation. She has served as the general counsel and corporate secretary of Anterix Inc. since July 2019, and as the president and chief executive officer of GLA Legal Advisory Group, LLC since February 2018. She was senior vice president, chief legal officer and corporate secretary of Adtalem Global Education Inc. from May 2017 to February 2018, and executive vice president, chief legal officer, and corporate secretary of BrightView Landscapes, LLC (formerly The Brickman Group, Ltd. LLC) from December 2012 to June 2016. Ms. Ashe served as vice-chairman of the Supervisory Board of XPO Logistics Europe S.A., XPO's majority-owned subsidiary, from February 2017 until June 2021. In addition, she has served as a director of the Executive Leadership Council since February 2020 and American Landscape Partners, LLC since January 2021. Ms. Ashe also sits on the Board of Trustees of Spelman College.

Clare Chatfield is a senior partner at L.E.K. Consulting and head of L.E.K.'s Energy & Environment Practice. Ms. Chatfield has worked at L.E.K. since 1990, and has led its Energy and Environment Practice since 2000. Since 2016, Ms. Chatfield has served as a non-executive director of the Savencia Group and the president of its remuneration committee, and as a non-executive director of Daher Group and a member of Daher Group's audit committee. From 2016 until June 2021, Ms. Chatfield served as a non-executive director of XPO Logistics Europe and as the president of its audit committee. From 2017-2020, Ms. Chatfield served as a non-executive director of the Antalis Group.

Joli Gross is senior vice president, general counsel and corporate secretary, of United Rentals, Inc., a role she has held since May 2017. Prior to her current role at United Rentals, Ms. Gross held various positions in the organization, including deputy general counsel and corporate secretary (January 2016-May 2017), deputy general counsel and assistant secretary (March 2011-January 2016), associate general counsel and assistant secretary (August 2006-March 2011), and director, legal affairs - real estate & contracts (August 2002-August 2006). Ms. Gross currently serves on the executive board of Family Centers.

Malcolm Wilson currently serves as chief executive officer of XPO Logistics Europe. Under his leadership of XPO Logistics Europe, XPO's European logistics business achieved unprecedented growth and efficiencies. Mr. Wilson has three decades of executive experience managing multinational supply chain operations in North America, Europe and Asia. He joined XPO in 2015 through the company's acquisition of industry leader Norbert Dentressangle, where he led the logistics division and served on the executive board. Mr. Wilson grew the logistics division to global scale as Norbert Dentressangle's largest revenue-producing unit.

# **Director Independence**

Under our Corporate Governance Guidelines ("Guidelines"), our board of directors will be responsible for making independence determinations annually with the assistance of the Nominating, Corporate Governance and Sustainability Committee. Such independence determinations will be made by reference to the independence standard under the Guidelines and the definition of "independent director" under Section 303A.02 of the NYSE Listed Company Manual.

In addition to the independence standards provided in the Guidelines, our board of directors will be responsible for determining that each director who serves on our Audit Committee satisfies standards established by the SEC providing that, to qualify as "independent" for the purposes of membership on that committee, members of audit committees may not: (i) accept directly or indirectly any consulting, advisory or other compensatory fee from GXO other than their director compensation, or (ii) be an affiliated person of GXO

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or any of its subsidiaries. Our board of directors will also determine that each member of the Compensation Committee satisfies the

NYSE standards for

independence of Compensation Committee members. Additionally, our board of directors will determine that each member of the Nominating, Corporate Governance and Sustainability Committee satisfies the NYSE standards for independence. In making the independence determinations for each director, our board of directors and the Nominating, Corporate Governance and Sustainability Committee will analyze certain relationships of the directors that are not required to be disclosed pursuant to Item 404(a) of Regulation S-K.

The board is expected to affirmatively determine that all the directors are independent except Mr. Jacobs. In the course of its determination regarding independence, the board is expected not to find any material relationships between GXO and any of the directors, other than Mr. Jacobs' role as the Chief Executive Officer of XPO and Mr. Wilson's role as the Chief Executive Officer of GXO.

#### Committees of the Board of Directors

Effective upon the completion of the distribution, our board of directors will have the following three standing committees: an Audit Committee, Compensation Committee, and a Nominating, Corporate Governance and Sustainability Committee. The board is expected to adopt written charters for each committee, which will be available on our website.

Each of the Audit Committee, the Compensation Committee, and the Nominating, Corporate Governance and Sustainability Committee is expected to be composed solely of directors who have been determined by the board to be independent in accordance with SEC regulations, NYSE listing standards and the independence standards under our Guidelines (including the heightened independence standards for members of the Audit Committee and the Compensation Committee).

Audit Committee. Oren Shaffer is expected to be Audit Committee Chair, and GXO is in the process of determining the additional members of the Audit Committee. GXO's board of directors is expected to determine that Mr. Shaffer is an "audit committee financial expert" for purposes of the rules of the SEC, and that each member of the Audit Committee is financially literate as required by the rules of the New York Stock Exchange. Our Audit Committee will be established in accordance with Section 3(a)(58)(A) of the Exchange Act, to assist our board in fulfilling its responsibilities in a number of areas, including, without limitation, oversight of: (i) our accounting and financial reporting processes, including our systems of internal controls and disclosure controls, (ii) the integrity of our financial statements, (iii) our compliance with legal and regulatory requirements, (iv) the qualifications and independence of our independent registered public accounting firm, (v) the performance of our independent registered public accounting firm and internal audit function and (vi) related party transactions. Each member of the Audit Committee will be required to: (i) satisfy all applicable independence standards, (ii) not have participated in the preparation of our financial statements at any time during the past three years and (iii) be able to read and understand fundamental financial statements.

Compensation Committee. [ ] is expected to be the Compensation Committee Chair, and GXO is in the process of determining the additional members of the Compensation Committee. GXO's board of directors is expected to determine that each member of the Compensation Committee will be independent, as defined by the rules of the New York Stock Exchange and in accordance with GXO's Corporate Governance Guidelines. The primary responsibilities of the Compensation Committee will be, among other things: (i) to oversee the administration of our compensation programs, (ii) to review and approve the compensation of our executive management, (iii) to review company contributions to qualified and non-qualified plans, (iv) to prepare any report on executive compensation required by SEC rules and regulations and (v) to retain independent compensation consultants and oversee the work of such consultants.

Nominating, Corporate Governance and Sustainability Committee. [ ] is expected to be the Nominating, Corporate Governance and Sustainability Committee Chair, and GXO is in the process of determining the additional members of the Nominating, Corporate Governance and Sustainability Committee. GXO's board of directors is expected to determine that each of the members of the Nominating, Corporate Governance and Sustainability Committee will be independent, as defined by the rules of the New York Stock

nd Corporate Governance and Sustainability Committee will be, among other things: (i) to identify individuals qualified to				
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Exchange and in accordance with the company's Corporate Governance Guidelines. The primary responsibilities of the Nominating,

become directors and recommend that our board select such individuals to be presented for stockholder consideration at the annual meeting or to be appointed by the board to fill a vacancy, (ii) to make recommendations to our board concerning committee appointments, (iii) to develop, recommend to our board and annually review the Guidelines and oversee corporate governance matters and (iv) to oversee an annual evaluation of our board and committees.

## How We Make Pay Decisions and Assess Our Compensation Programs

During our fiscal year ended December 31, 2020, GXO was not an independent company and did not have a compensation committee or any other committee serving a similar function. Decisions as to the compensation of those who currently serve as our executive officers were made by XPO, as described in the section of this information statement titled "Compensation Discussion and Analysis."

## **Corporate Governance**

## Our Commitment to Sound Corporate Governance

GXO will be committed to strong corporate governance practices designed to maintain high standards of independent oversight, accountability, integrity and ethics while promoting long-term growth in stockholder value.

Our governance structure will enable independent, experienced and accomplished directors to provide advice, insight and oversight to advance the interests of GXO and our stockholders. GXO will strive to maintain sound governance standards, to be reflected in our Code of Business Ethics, Corporate Governance Guidelines, our systematic approach to risk management and our commitment to transparent financial reporting and strong internal controls.

The following documents, as well as additional corporate governance information and materials, will be available on our website at www.gxo.com/investors:

- Amended and Restated Certificate of Incorporation
- Amended and Restated Bylaws
- Corporate Governance Guidelines
- Insider Trading Policy
- Code of Business Ethics
- Related Person Transaction Approval Policy

In addition, the following documents will be available on our website at www.gxo.com/investors:

Charters of each of our board committees

Copies of these documents will also available in print form at no charge by sending a request to GXO Logistics, Inc., Two American Lane, Greenwich, CT 06831, Attention: Investor Relations.

The GXO website and the information contained therein or connected thereto are not incorporated into this information statement or the registration statement of which this information statement forms a part, or in any other filings with, or any information furnished or submitted to, the SEC.

Role of the Board and Board Leadership Structure

poard leadership structure to ensure that it continues to serve GXO's best interests and the best interests of our stockholders.			
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The Nominating, Corporate Governance and Sustainability Committee is expected to routinely review our governance practices and

As of the completion of the distribution, it is expected that Brad Jacobs will serve as GXO's Chairman. To ensure independent oversight and decision-making, GXO will also have a Lead Independent Director and a Vice Chair.

Under our Corporate Governance Guidelines to be adopted in connection with the distribution, the independent directors will designate a Lead Independent Director to, among other things, preside over meetings of the board of directors at which the Chairman is not present and at executive sessions of the independent directors, and to serve as a liaison between the Chairman and the independent directors. It is expected that Oren Shaffer will serve as the Lead Independent Director as of the completion of the distribution.

Additionally, the board of directors will appoint a Vice Chair responsible for, among other things, presiding at meetings of the board of directors where the Chairman and Lead Independent Director are not present; assisting the Chairman, when appropriate, in carrying out his or her duties; assisting the Lead Independent Director, when appropriate, in carrying out his or her duties; and such other duties, responsibilities and assistance as the board of directors or the Chairman may determine. It is expected that Marlene Colucci will serve as the Vice Chair as of the completion of the distribution.

### **Executive Sessions**

Following the completion of the distribution, our board of directors will hold regular and special meetings throughout each calendar year. In conjunction with those meetings, executive sessions, which are meetings of the independent directors, will be regularly scheduled throughout the year. Our Lead Independent Director will preside over the executive sessions of the board.

### Board, Committee and Director Evaluations

The board will annually assess the effectiveness of the full board, the operations of its committees and the contributions of director nominees. The Nominating, Corporate Governance and Sustainability Committee will oversee the evaluation of the board as a whole and its committees, as well as individual evaluations of those directors who are being considered for possible re-nomination to the board.

### Director Selection Process

The Nominating, Corporate Governance and Sustainability Committee will be responsible for recommending to our board all nominees for election to the board, including nominees for re-election to the board, in each case, after consultation with the Chairman of the board. Subject to the foregoing, in considering new nominees for election to our board, the Nominating, Corporate Governance and Sustainability Committee will consider, among other things, breadth of experience, financial expertise, wisdom, integrity, an ability to make independent analytical inquiries, an understanding of our company's business environment, knowledge and experience in such areas as technology and marketing, and other disciplines relevant to our company's businesses, the nominee's ownership interest in our company, and a willingness and ability to devote adequate time to board duties, all in the context of the needs of the board at that point in time and with the objective of ensuring diversity in the background, experience and viewpoints of board members. When searching for new directors, our board will endeavor to actively seek out highly qualified women and individuals from underrepresented minorities to include in the pool from which board nominees are chosen. Our board will aim to create a team of directors with diverse experiences and perspectives to provide our global company with thoughtful and engaged board oversight. The Nominating, Corporate Governance and Sustainability Committee will assess the effectiveness of its diversity efforts through periodic evaluations of the board's composition.

The Nominating, Corporate Governance and Sustainability Committee will be able to identify potential nominees for election to our board from a variety of sources, including recommendations from current directors or management, recommendations from our stockholders or any other source the committee deems appropriate, including engaging a third-party consulting firm to assist in identifying independent director nominees.

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Our board will consider nominees submitted by our stockholders, subject to the same factors that are brought to bear when it

considers nominees referred by other sources. Our stockholders will be permitted to nominate

candidates for election as directors by following the procedures set forth in our amended and restated bylaws, which are summarized below.

Our amended and restated bylaws will provide that a stockholder who wishes to nominate an individual for election as a director at our annual meeting must give us advance written notice. The notice will be required to be delivered to or mailed and received by the secretary of our company not less than 90 days, and not more than 120 days, prior to the earlier of the date of the annual meeting and the first anniversary of the preceding year's annual meeting. As more specifically provided in our amended and restated bylaws, any nomination will be required to include, among other information: (i) the nominator's name and address and the number of shares of each class of our capital stock that the nominator owns, (ii) the name and address of any person with whom the nominator is acting in concert and the number of shares of each class of our capital stock that any such person owns, (iii) the information with respect to each such proposed director nominee that would be required to be provided in a proxy statement prepared in accordance with applicable SEC rules and (iv) the consent of the proposed candidate to serve as a member of our board.

Any stockholder who wishes to nominate a potential director candidate will be required to follow the specific requirements set forth in our amended and restated bylaws, a copy of which will be available in print form at no charge by sending a request to GXO Logistics, Inc., Two American Lane, Greenwich, CT 06831, Attention: Investor Relations.

## **Board Risk Oversight**

Our board will provide overall risk oversight, with a focus on the most significant risks facing our company. In addition, our board will be responsible for ensuring that appropriate crisis management and business continuity plans are in place. The management of risks to our business, and the execution of contingency plans, will be primarily the responsibility of our senior management team.

Our board and senior management team will regularly discuss the company's business strategy, operations, policies, controls, prospects and current and potential risks. Our board will delegate responsibility for the oversight of specific risks special to committees as follows:

Audit Committee. The Audit Committee will oversee the policies that govern the process by which our exposure to risk is assessed and managed by management. In that role, the Audit Committee will be responsible for discussing with our management major financial risk exposures and the steps taken by management to monitor and control these exposures. The Audit Committee will also be responsible for reviewing risks arising from related party transactions involving our company and for overseeing our company-wide Code of Business Ethics and overall compliance with legal and regulatory requirements.

Compensation Committee. The Compensation Committee will monitor the risks associated with our compensation philosophy and programs to ensure that the company has a compensation structure that strikes an appropriate balance between motivating our senior executives to deliver long-term results for the company's stockholders and simultaneously holding our senior leadership team accountable.

*Nominating, Corporate Governance and Sustainability Committee.* The Nominating, Corporate Governance and Sustainability Committee will oversee risks related to our governance structure and processes.

## Corporate Governance Guidelines and Code of Business Ethics

Our board of directors will remain committed to sound corporate governance principles and practices. The Chairman of the board will provide support on key governance matters and stockholder engagement to the board as well as providing strategic guidance to GXO's executive management team.

The Guidelines will serve as a framework within which our board will conduct its operations. Among other things, the Guidelines
will include criteria for determining the qualifications and independence of the members of our board, requirements for the standing
committees of our board, responsibilities for members of our board and an annual evaluation of the effectiveness of our board and its
committees. The Nominating, Corporate Governance and

Sustainability Committee will be responsible for reviewing the Guidelines annually, or more frequently as appropriate, and recommending to our board appropriate changes in light of applicable laws and regulations, the governance standards identified by leading governance authorities and our company's evolving needs.

Our Code of Business Ethics will apply to our directors and executive officers. This code will be designed to deter wrongdoing, to promote the honest and ethical conduct of all employees and to promote compliance with applicable governmental laws, rules and regulations, as well as to provide clear channels for reporting concerns. The Code of Business Ethics will constitute a "code of ethics" as defined in Item 406(b) of Regulation S-K. We intend to satisfy the disclosure requirements under applicable SEC rules relating to amendments to the Code of Business Ethics or waivers from any provision thereof applicable to our principal executive officer, our principal financial officer and our principal accounting officer by posting such information on our website pursuant to SEC rules.

The Guidelines and our Code of Business Ethics will be available on our website at www.gxo.com/investors. Copies of these documents will also be available in print form at no charge by sending a request to GXO Logistics, Inc., Two American Lane, Greenwich, CT 06831, Attention: Investor Relations.

### Stockholder Communication with the Board

GXO's Corporate Governance Guidelines will include procedures by which stockholders and other interested parties may communicate with our board of directors, any board committee, any individual director, including our Lead Independent Director and Vice Chair, or any group of directors (such as our independent directors) by sending written correspondence to: board of directors c/o Secretary, GXO Logistics, Inc., Two American Lane, Greenwich, CT 06831. We will not forward communications to the board that qualify as spam, junk mail, mass mailings, resumes or other forms of job inquiries, surveys, business solicitations or advertisements.

## **Procedures for Approval of Related Persons Transactions**

GXO will have a written Related Person Transaction Approval Policy regarding the review, approval and ratification of transactions between GXO and related persons. The policy will apply to any transaction in which GXO or a GXO subsidiary is a participant, the amount involved exceeds \$120,000 and a related person has a direct or indirect material interest. A related person will mean any director or executive officer of GXO, any nominee for director, any stockholder known to GXO to be the beneficial owner of more than 5% of any class of GXO's voting securities, and any immediate family member of any such person.

Under this policy, reviews will be conducted by management to determine which transactions or relationships should be referred to the Audit Committee for consideration. The Audit Committee will then review the material facts and circumstances regarding a transaction and determine whether to approve, ratify, revise or reject a related person transaction, or to refer it to the full board or another committee of the board for consideration. GXO's Related Person Transaction Approval Policy will operate in conjunction with other aspects of GXO's compliance program, including its Business Conduct Policies, which will require that all directors, officers and employees have a duty to be free from the influence of any conflict of interest when they represent GXO in negotiations or make recommendations with respect to dealings with third parties, or otherwise carry out their duties with respect to GXO.

The board is expected to consider the following types of potential related person transactions and pre-approve them under GXO's Related Person Transaction Approval Policy as not presenting material conflicts of interest:

- employment of GXO executive officers (except employment of a GXO executive officer that is an immediate family member of another GXO executive officer, director, or nominee for director) as long as the Compensation Committee has approved the executive officers' compensation;
- director compensation that the board has approved;

<ul> <li>such person's position a</li> </ul>	s an employee or execu	itive officer of the of	her entity; or	
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- such person's position as a director of the other entity; or
- the ownership by such person, together with his or her immediate family members, of less than a 10% equity interest in the aggregate in the other entity (other than a partnership); or
- both such position as a director and ownership as described above; or
- such person's position as a limited partner in a partnership in which the person, together with his or her immediate family members, have an interest of less than 10%;
- charitable contributions in which a related person's only relationship is as an employee (other than an executive officer), or a director or trustee, if the aggregate amount involved does not exceed the greater of \$250,000 or 2% of the charitable organization's total annual receipts;
- transactions, such as the receipt of dividends, in which all stockholders receive proportional benefits;
- transactions involving competitive bids;
- transactions involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority; and
- transactions with a related person involving services as a bank depositary of funds, transfer agent, registrar, trustee under a trust indenture or similar services.

# **EXECUTIVE COMPENSATION**

As discussed elsewhere in this information statement, XPO is separating into two publicly traded companies, XPO and GXO. GXO is currently a subsidiary of XPO and is not yet an independent company, and its compensation committee has not yet been formed. Following the separation and distribution, GXO will have its own executive officers and its own compensation committee of the GXO Board (the "GXO Compensation Committee"). As of the date of this information, the following individuals are expected to serve as executive officers of GXO in the positions set forth below effective as of the separation and distribution:

- Malcolm Wilson, Chief Executive Officer
- Baris Oran, Chief Financial Officer
- Karlis Kirsis, Chief Legal Officer
- Maryclaire Hammond, Chief Human Resources Officer

This section discusses the compensation policies and practices that are expected to apply to the identified GXO executive officers after the separation and distribution. These policies and practices remain subject to the review and approval by the GXO Compensation Committee after the separation and distribution. This section also contains a description of certain GXO executive compensation arrangements that are expected to become effective upon the occurrence of separation and distribution.

### **Compensation Discussion & Analysis**

## Compensation Philosophy and Executive Compensation Program Objectives

XPO's executive compensation philosophy is founded on the following core objectives, which we expect to be the core objectives of GXO's compensation philosophy:

- Attract high-impact, results-oriented executives in a competitive job market who will contribute to our goal of maximizing stockholder value.
- Ensure that each executive receives total compensation that encourages his or her long-term retention through business and individual performance assessments, coupled with market benchmarking.
- Maintain executive focus on the company's top priorities of profitable growth, innovation, operational excellence and customer satisfaction, as well as increased focus on ESG matters including employee safety and engagement.
- Set ambitious targets that incentivize our executives to drive long-term stockholder value creation without unnecessary risk.
- Align the interests of our executives with those of our stockholders by emphasizing high growth and high returns in our longterm, performance-based incentives.
- Incorporate stockholder feedback into our Compensation Committee's decision-making process.

# **Executive Compensation Governance Framework**

Stock Ownership Policies

We believe that executive equity ownership in the company mitigates a number of risks, including risks related to executive attrition and undue risk-taking. It is expected that GXO's executive stock ownership guidelines will initially be consistent with XPO's

executive stock ownership guidelines and will therefore be expressed as a multiple of each GXO named executive officer's annual base salary as follows:
Chief Executive Officer: 6x annual base salary
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• Other GXO Named Executive Officers: 3x annual base salary

Compliance with GXO's stock ownership guidelines will be determined using the aggregate count of shares of common stock held directly or indirectly by the GXO named executive officer, plus unvested restricted stock units subject solely to time-based vesting. Stock options, whether vested or unvested, and equity-based awards subject to performance-based vesting conditions, will not be counted toward meeting stock ownership guidelines until they have settled or been exercised, as applicable.

Until the stock ownership guidelines are met, a named executive officer is required to retain 70% of the net shares (after tax withholding) received upon settlement of equity-based awards. A newly appointed executive is required to reach his or her stock ownership guideline no later than five years from the date of appointment.

## Clawback Policy

XPO's named executive officers are subject to clawback restrictions with respect to long-term and annual short-term incentive compensation as described below. The Compensation Committee of XPO's Board of Directors (the "XPO Compensation Committee") is focused on mitigating risk associated with XPO's compensation program for XPO named executive officers and believes that clawback provisions are an important tool to achieve this. We expect that GXO will adopt a clawback policy with similar terms, which will be set forth in the GXO equity award agreements.

The XPO named executive officer employment agreements include a clawback provision under which the XPO named executive officer may be required, upon certain triggering events, to repay all or a portion of long-term incentive compensation that was previously paid (including proceeds from previously-exercised and vested equity-based awards) and to forfeit unvested equity-based awards during the term of the employment agreements. These clawback provisions are generally triggered if any of the following conditions apply—the XPO named executive officer:

- Has engaged in fraud or other willful misconduct that contributes materially to any significant financial restatement or material loss to XPO or any of XPO's affiliates;
- Is terminated for cause, as defined in the employment agreement; or
- Breaches the restrictive covenants that are applicable under the employment agreement.

In addition, if an XPO named executive officer has engaged in fraud or other willful misconduct that contributes materially to any financial restatement or material loss to the company or any of its affiliates, XPO may: (i) require repayment by the XPO named executive officer of any cash bonus or annual bonus previously paid, net of any taxes paid by the XPO named executive officer on such bonus; (ii) cancel any earned but unpaid cash bonus or annual bonus; and/or (iii) adjust the XPO named executive officer's future compensation in order to recover an appropriate amount with respect to the restated financial results or the material loss.

### Process for Determining Executive Compensation

Role of the Compensation Committee

We expect that the GXO Compensation Committee will adopt a similar role to the role of the XPO Compensation Committee following the separation and distribution. The XPO Compensation Committee is responsible for approving XPO's compensation practices and overseeing XPO's executive compensation program in a manner consistent with XPO's compensation philosophy. The XPO Compensation Committee is tasked with: (i) reviewing the annual and long-term performance goals for XPO Executive Officers (ii) approving awards under incentive compensation and equity-based plans; and (iii) approving all other compensation and benefits for XPO Executive Officers. The XPO Compensation Committee acts independently but works closely with the full Board of Directors of

and executive management in making many of its decisions. To assist it in discharging its responsibilities, the XPO Compensation interest has retained the services of an independent compensation consultant.				ation
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## Role of Management

We expect GXO management will adopt a similar role in determination of executive compensation to the role of XPO management following the separation and distribution. Executive management provides input to the XPO Compensation Committee, including with respect to the XPO Compensation Committee's evaluation of executive compensation practices. The XPO Compensation Committee carefully and independently reviews the recommendations of management without members of management present and consults its independent advisor before making final determinations. XPO believes this process ensures that its executive compensation program effectively aligns with XPO's compensation philosophy and stockholder interests.

## Peer Group

It is expected that the initial GXO peer group will be as set forth below, subject to the review and approval of the GXO Compensation Committee after the separation and distribution. This peer group reflects a group of companies with similar or adjacent business models, and that source talent from the same labor pools as GXO. In determining the peer group, the following factors were considered: (i) whether company is publicly-traded on a major U.S. stock exchange, (ii) whether company is within a reasonable size range of GXO, (iii) whether company is operating in similar or adjacent industry to logistics, and (iv) whether company has displayed a degree of peer similarity.

Aspen Technology, Inc. Pitney Bowes Inc.

C.H. Robinson Worldwide, Inc. Rockwell Automation, Inc.

Cintas Corporation Rollins, Inc.

The Descartes Systems Group, Inc.

Sanmina Corporation

Expeditors International of Washington, Inc.

Shopify Inc.

FedEx Corporation United Parcel Service, Inc.

Iron Mountain Inc.

## **Executive Compensation Elements**

It is expected that GXO's executive compensation program will consist of four principal elements: (i) annual base salary, (ii) annual short-term incentive, (iii) annual long-term incentive, and (iv) employee benefits and limited executive perquisites.

Annual Base Salary

Annual base salary provides a fixed incentive that corresponds to an executive's experience and job scope. We expect that the GXO Compensation Committee will review annual base salaries for GXO's executive officers each year in order to ensure alignment with current market levels. The 2021 annual base salary of each identified GXO executive officer is set forth in the table below.

Executive Officer	Ann	ual Base Salary
Malcolm Wilson, Chief Executive Officer	£	468,000
Baris Oran, Chief Financial Officer	\$	600,000
Karlis Kirsis, Chief Legal Officer	£	310,000
Maryclaire Hammond, Chief Human Resources Officer	£	288,000

Annual	Chart'	Town	Incentive
Annual	Snort-	ı prm 1	incentive

Each GXO named executive officer is eligible for an annual short-term incentive payment	. The table below reflects th	e 2021 annua
short-term incentive opportunity of each identified GXO executive officer.		

		Target Opportunity		
		(as a percentage of		<b>Maximum Bonus</b>
Executive Officer	Base Salary	base salary)	Target Opportunity	Opportunity
Malcolm Wilson, Chief Executive Officer	£468,000	115%	£538,200	2x target
Baris Oran, Chief Financial Officer	\$600,000	100%	\$600,000	2x target
Karlis Kirsis, Chief Legal Officer	£310,000	100%	£310,000	2x target
Maryclaire Hammond, Chief Human Resources Officer	£288,000	75%	£216,000	2x target

We expect that, subject to review and approval by the GXO Compensation Committee, GXO will maintain a 2021 short-term incentive program that utilizes a balanced scorecard of three weighted metrics:

- 50% adjusted EBITDA;
- 30% Revenue; and
- 20% Free Cash Flow, as adjusted to exclude certain items.

We expect that for the 2021 performance year, each performance metric must equal or exceed 90% of target performance in order for each named executive officer to become eligible for a short term incentive award, assuming they remained employed on the payment date. We expect that 2021 short-term incentives would pay out at 50% of the target opportunity at a 90% target performance level with upward potential up to a maximum of 200% of the target opportunity for a 120% target performance level. The actual performance goals for each metric and the corresponding payout curve will be confirmed by the GXO Compensation Committee after the separation and distribution.

### Long-Term Incentives

We expect that GXO will maintain a long-term incentive program designed to retain key executives and to align the interests of GXO executives with the achievement of sustainable long-term growth and performance. Subject to the review and approval of the GXO Compensation Committee after the separation and distribution, we expect that annual long-term incentive grants made in 2022 in respect of the 2021 performance year will be composed of 70% performance-based restricted stock units and 30% time-based restricted stock units for key positions, including the CEO and CFO; all other executive officer positions will have awards comprised of 50% performance-based stock units and 50% restricted stock units. We expect that, subject to the review and approval of the GXO Compensation Committee after the separation and distribution, the initial performance awards granted by GXO to executive officers in 2022 will have a four-year performance period, with awards vesting at end of the performance period based on the achievement of performance goals, using the following three performance measures:

- 60% total shareholder return vs. the S&P MidCap 400 Index
- 25% adjusted Cash Flow per Share
- 15% ESG scorecard measures

Employee Benefits and Limited Executive Perquisites

We expect GXO to offer a variety of health and welfare programs to all eligible employees, including the GXO named executive officers. The GXO named executive officers will be eligible for the same health and welfare benefit programs that apply to, on the same basis as, the rest of our employees, including medical and dental care coverage, life insurance coverage and short and long-term

disability, with the exception of our CEO who is entitled to the UK pension allowance described below since he does not participate in the GXO UK pension scheme.

We expect to limit the use of perquisites as a method of compensation and provide executive officers with only those perquisites that we believe are reasonable and consistent with our compensation goal of enabling us to attract and retain superior executives for key positions.

# Going Forward GXO Compensation Arrangements

XPO or GXO has entered into, or expects to enter into, offer letters and service agreements with each of the identified GXO executive officers with respect to their GXO executive positions following the occurrence of the separation and distribution. These offer letters and service agreements will become effective, and to the extent applicable, GXO will assume such agreements, as of the separation and distribution. The material terms of these letters and agreements are described below.

In connection with the separation and distribution, it is expected that GXO will adopt an executive severance plan (described below) and the 2021 Omnibus Incentive Compensation Plan (which is described in this information statement under the heading "GXO 2021 Omnibus Incentive Compensation Plan"), each of which will be effective for GXO upon the separation and distribution. Following the separation and distribution, the GXO Compensation Committee will consider and develop GXO's compensation programs, plans, philosophy and practices, consistent with GXO's business needs and goals.

Offer Letter and Service Agreement with GXO Chief Executive Officer

The offer letter and service agreement with Malcolm Wilson would become effective upon, and subject to the occurrence of, the separation and distribution and provides for Mr. Wilson to serve as Chief Executive Officer of GXO and to receive an annual compensation package consisting of a base salary of £468,000, a target annual bonus award of 115% of base salary, an annual equity award consisting of 30% restricted stock units and 70% performance-based restricted stock units with a total target value of \$850,000 for the 2021 performance year and a pension allowance equal to 17.79% of base salary. In addition, the offer letter and service agreement provide for an XPO equity award of 120,000 stock options relating to XPO common stock that will vest in installments over the five-year period following the grant date, subject to (i) the occurrence of the separation and distribution by March 31, 2022 and (ii) Mr. Wilson's continuous employment with XPO (and GXO after the separation and distribution) through each applicable vesting date. Treatment of such XPO stock option award will be consistent with the treatment of other outstanding XPO equity-based compensation awards held by GXO employees in connection with the separation and distribution, as described under "The Separation and Distribution—Treatment of Equity-Based Compensation."

Offer Letter with GXO Chief Financial Officer

The offer letter with Baris Oran will become effective upon, and subject to the occurrence of, the separation and distribution and provides for Mr. Oran to serve as Chief Financial Officer of GXO and to receive an annual compensation package consisting of a base salary of \$600,000, a target annual bonus award of 100% of base salary, and an annual equity award consisting of 30% restricted stock units and 70% performance-based restricted stock units with a total target value of \$800,000 for the 2021 performance year. In addition, the offer letter provides for an XPO equity award of 100,000 stock options relating to XPO common stock that will vest in installments over the five-year period following the grant date, subject to (i) the occurrence of the separation and distribution by March 31, 2022 and (ii) Mr. Oran's continuous employment with XPO (and GXO after the separation and distribution) through each applicable vesting date. Treatment of such XPO stock option award will be consistent with the treatment of other outstanding XPO equity-based compensation awards held by GXO employees in connection with the separation and distribution, as described under "The Separation and Distribution—Treatment of Equity-Based Compensation."

Offer Letter and Service Agreement with GXO Chief Legal Officer

The offer letter and service agreement with Karlis Kirsis would become effective upon, and subject to the occurrence of, the separation and distribution and provides for Mr. Kirsis to serve as the Chief Legal Officer of GXO effective as of the separation and distribution and to receive an annual compensation package consisting of a base salary of £310,000, a target annual bonus award of 100% of base salary, and an annual equity award consisting of 50% restricted stock units and 50% performance-based restricted stock units with a total target value of \$350,000 for the 2021 performance year. In addition, the offer letter and service agreement provide for

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an XPO equity award of 20,000 stock options relating to XPO common stock that will vest in installments over the five-year period

following the grant date, subject to (i) the occurrence of the separation and distribution by March 31, 2022 and (ii)

Mr. Kirsis's continuous employment with XPO (and GXO after the separation and distribution) through each applicable vesting date. Treatment of such XPO stock option award will be consistent with the treatment of other outstanding XPO equity-based compensation awards held by GXO employees in connection with the separation and distribution, as described under "The Separation and Distribution—Treatment of Equity-Based Compensation." Mr. Kirsis also entered into a UK pension top-up agreement with XPO in connection with his role with GXO following the separation and distribution, which states that XPO will provide a top-up to his pension account of 4% of base salary, subject to his individual contribution of at least 8% of base salary (which additional contribution will be grossed up to offset any additional tax impact).

Offer Letter and Service Agreement with GXO Chief Human Resources Officer

The offer letter and service agreement with Maryclaire Hammond would become effective upon, and subject to the occurrence of, the separation and distribution and provides for Ms. Hammond to serve as the Chief Human Resources Officer of GXO effective as of the separation and distribution and to receive an annual compensation package consisting of a base salary of £288,000, a target annual bonus award of 75% of base salary, and an annual equity award consisting of 50% restricted stock units and 50% performance-based restricted stock units with a total target value of \$350,000 for the 2021 performance year. In addition, the offer letter and service agreement provide for an XPO equity award of 20,000 stock options relating to XPO common stock that will vest in installments over the five-year period following the grant date, subject to (i) the occurrence of the separation and distribution by March 31, 2022 and (ii) Ms. Hammond's continuous employment with XPO (and GXO after the separation and distribution) through each applicable vesting date. Treatment of such XPO stock option award will be consistent with the treatment of other outstanding XPO equity-based compensation awards held by GXO employees in connection with the separation and distribution, as described under "The Separation and Distribution—Treatment of Equity-Based Compensation." Ms. Hammond also entered into a UK pension top-up agreement with XPO in connection with her role with GXO following the separation and distribution, which states that XPO will provide a top-up to her pension account of 4% of base salary, subject to her individual contribution of at least 8% of base salary (which additional contribution will be grossed up to offset any additional tax impact).

# GXO Severance Plan

It is expected that GXO will adopt a severance plan that will become effective upon, and subject to, the occurrence of, the separation and distribution. The eligible participants under the severance plan would include the named executive officers of GXO and its other executive officers and key members of executive management.

Pursuant to the severance plan, any GXO executive officer whose employment is terminated without "cause" at any time other than within the two years following a "change in control" (as such terms are defined in the severance plan) of GXO, would be entitled to receive (subject to the officer's execution of a release of claims in favor of GXO and continuing compliance with the officer's confidential information protection agreement that includes restrictive covenants relating to confidentiality, ownership of intellectual property, non-hire and non-solicitation of employees, non-solicitation of customers, non-competition and non-disparagement):

- continuation of annual base salary for 18 months (for the Chief Executive Officer) or 12 months (for other executive officers);
- a prorated target annual bonus for the year of termination (the "Prorated Bonus"); and
- up to 18 months (for the Chief Executive Officer) or 12 months (for other executive officers) of healthcare benefit coverage continuation at the active employee rate for healthcare benefit coverage or a cash payment in lieu thereof (the "Healthcare Benefit").

Pursuant to the severance plan, any GXO executive officer whose employment is terminated without "cause" or who resigns for "good reason" on, or within the two years following, a "change in control" (as such terms are defined in the severance plan) of GXO, would be entitled to receive (subject to the officer's execution of a release of		
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claims in favor of GXO and continuing compliance with the officer's confidential information protection agreement, service agreement, or other similar contractual obligations):

- a lump sum cash severance payment equal to two and one-half times (for the Chief Executive Officer) and two times (for other executive officers) the sum of (a) the officer's annual base salary and (b) the officer's target annual bonus;
- the Prorated Bonus; and
- the Healthcare Benefit.

The severance plan provides that, in the event that the payments and benefits to a named executive officer in connection with a change in control, whether pursuant to the severance plan or otherwise, would be subject to the golden parachute excise tax imposed under Sections 280G and 4999 of the Code, then the officer will either receive all such payments and benefits and pay the excise tax, or such payments and benefits will be reduced to the extent necessary so that the excise tax does not apply, whichever approach results in a higher after-tax amount of the payments and benefits being retained by the officer.

Cash severance payable under the severance plan will be offset by any other severance payments to which the officer is entitled in respect of the applicable termination of employment, including pursuant to the GXO confidential information protection agreement, as applicable, which provides for payments of the GXO executive officer's base salary for the duration of his or her post-termination non-compete period with a minimum payment of base salary for 12 months following termination if the officer is terminated without cause before January 1, 2022.

# **Executive Compensation Tables**

As none of our executive officers were previously serving as executive officers of XPO in 2020, there are no executive compensation tables provided.

#### DIRECTOR COMPENSATION

The initial GXO non-employee director compensation program is designed to enable ongoing attraction and retention of highly qualified directors and to address the time, effort, expertise and accountability required of active GXO Board membership. This program is described in further detail below. Following the separation and distribution, the director compensation program will be subject to the review and approval of the GXO Board or a committee thereof.

Treatment of outstanding XPO equity-based compensation awards held by GXO non-employee directors in connection with the distribution is described under "The Separation and Distribution—Treatment of Equity-Based Compensation."

The GXO annual non-employee director compensation program will initially be consistent of the following: (i) an annual cash retainer of \$80,000, payable quarterly in arrears; and (ii) an annual grant of time-based restricted stock units with a target value of \$190,000, which will generally be granted on the first business day of the calendar year (starting with calendar year 2022) and vest on the later of the first anniversary of grant or the first business day of the following calendar year, subject to continued service on the GXO Board on the vesting date. It is expected that the number of shares of GXO common stock subject to each award will be determined by dividing \$190,000 by the average of the closing prices of GXO's common stock on the ten trading days immediately preceding the grant date.

The vice chair of the Board will receive an additional annual cash retainer of \$25,000, payable quarterly in arrears. The lead independent director also will receive an additional \$25,000 annual cash retainer, payable quarterly in arrears. The chairperson of each of the GXO Audit Committee, the GXO Compensation Committee and the GXO Nominating, Corporate Governance and Sustainability Committee each will receive an additional cash retainer of \$25,000, \$20,000 and \$20,000, respectively, payable quarterly in arrears.

No other fees will be paid to directors for their attendance at or participation in meetings of the GXO Board or its committees. GXO will reimburse directors for expenses incurred in the performance of their duties, including reimbursement for air travel and hotel expenses.

## **GXO 2021 OMNIBUS INCENTIVE COMPENSATION PLAN**

The material terms of the GXO Logistics, Inc. 2021 Omnibus Incentive Compensation Plan (the "Plan") are summarized below. This summary does not contain all information about the Plan. This summary is qualified in its entirety by reference to, and should be read together with the full text of the Plan.

## Types of Awards

The Plan provides for the grant of options intended to qualify as incentive stock options ("ISOs") under Section 422 of the Code, nonqualified stock options ("NSOs"), stock appreciation rights ("SARs"), restricted share awards, restricted stock units ("RSUs"), performance awards, cash incentive awards, deferred share units and other equity-based and equity-related awards, as well as cash-based awards.

#### Plan Administration

The Plan is administered by the Compensation Committee of the GXO Board or such other committee the GXO Board designates to administer the Plan (the "Committee"). Subject to the terms of the Plan and applicable law, the Committee has sole authority to administer the Plan, including, but not limited to, the authority to (i) designate plan participants, (ii) determine the type or types of awards to be granted to a participant, (iii) determine the number of shares of GXO common stock to be covered by awards, (iv) determine the terms and conditions of awards, (v) determine the vesting schedules of awards and, if certain performance criteria were required to be attained in order for an award to vest or be settled or paid, establish such performance criteria and certify whether, and to what extent, such performance criteria have been attained, (vi) interpret, administer, reconcile any inconsistency in, correct any default in and/or supply any omission in, the Plan, (vii) establish, amend, suspend or waive such rules and regulations and appoint such agents as it should deem appropriate for the proper administration of the Plan, (viii) accelerate the vesting or exercisability of, payment for or lapse of restrictions on, awards, and (ix) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

## Shares Available For Awards

Subject to adjustment for changes in capitalization, there are 11,600,000 shares of GXO common stock, in the aggregate, that are currently authorized for delivery pursuant to awards granted under the Plan, 11,600,000 shares of which may be granted pursuant to ISOs. Awards that are settled in cash do not reduce the number of shares available for delivery under the Plan. If any award granted under the Plan is forfeited, or otherwise expires, terminates or is canceled without the delivery of all shares subject thereto, then the number of shares subject to such award that were not issued are not treated as issued for purposes of reducing the maximum aggregate number of shares that may be delivered pursuant to the Plan.

Notwithstanding the foregoing, and for the avoidance of doubt, shares that were surrendered or tendered to us in payment of the exercise price of an award (including with respect to stock-settled SARs) or any taxes required to be withheld in respect of an award and awards based on the fair market value of a share that are settled other than by the delivery of shares (including cash settlement) do not become available again to be delivered pursuant to awards under the Plan or increase the number of shares that may be delivered pursuant to ISOs under the Plan. The maximum value of shares of GXO common stock that are available to be granted pursuant to awards to any non-employee director in the Plan in any fiscal year is \$600,000 as of the date of grant.

### Changes in Capitalization

In the event of any extraordinary dividend or other extraordinary distribution, recapitalization, rights offering, stock split, reverse stock split, split-up or spin-off affecting the shares of GXO common stock, the Committee shall make equitable adjustments and other

substitutions to the Plan and awards under the Plan in the manner it determined to be appropriate or desirable. In the event of any
reorganization, merger, consolidation, combination, repurchase or exchange of GXO common stock or other similar corporate
transactions, the Committee in its discretion is permitted to make such adjustments and other substitutions to the Plan and awards under
the Plan as it deems appropriate or desirable

### Substitute Awards

The Committee is permitted to grant awards in assumption of, or in substitution for, outstanding awards previously granted by GXO or any of its affiliates or a company that GXO acquired or with which GXO combined. Any shares issued by GXO through the assumption of or substitution for outstanding awards granted by a company that GXO acquired do not reduce the aggregate number of shares of GXO common stock available for awards under the Plan, except that awards issued in substitution for ISOs will reduce the number of shares of GXO common stock available for ISOs under the Plan.

### Source of Shares

Any shares of GXO common stock issued under the Plan consist, in whole or in part, of authorized and unissued shares or of treasury shares.

## Eligible Participants

Directors, officers, employees and consultants (including any prospective directors, officers, employees and consultants) of GXO and its affiliates are eligible to receive awards under the Plan.

## Stock Options

The Committee is permitted to grant both ISOs and NSOs under the Plan. The exercise price for stock options may not be less than the fair market value (as defined in the Plan) of GXO common stock on the grant date. The Committee may not reprice any stock option granted under the Plan without the approval of GXO stockholders. All stock options granted under the Plan are NSOs unless the applicable award agreement expressly stated that the stock option was intended to be an ISO. Subject to the provisions of the Plan (including the minimum vesting period described below) and the applicable award agreement, the Committee determines, at or after the grant of a stock option, the vesting criteria, term, methods of exercise and any other terms and conditions of any stock option. Unless otherwise set forth in the applicable award agreement, each stock option expires upon the earlier of (i) the tenth anniversary of the date the stock option was granted and (ii) three months after the participant who was holding the stock option ceased to be a director, officer, employee or consultant for GXO, or one of its affiliates. The exercise price is permitted to be paid with cash (or its equivalent) or, in the sole discretion of the Committee, with previously acquired shares of GXO common stock or through delivery of irrevocable instructions to a broker to sell GXO common stock otherwise deliverable upon the exercise of the stock option (provided that there was a public market for GXO common stock at such time), or, in the sole discretion of the Committee, a combination of any of the foregoing, provided that the combined value of all cash and cash equivalents and the fair market value of any such shares so tendered to us as of the date of such tender, together with any shares withheld by us in respect of taxes relating to a stock option, was at least equal to such aggregate exercise price.

# Stock Appreciation Rights

The Committee is permitted to grant SARs under the Plan. The exercise price for SARs may not be less than the fair market value (as defined in the Plan) of GXO common stock on the grant date. The Committee may not reprice any SAR granted under the Plan without the approval of GXO stockholders. Upon exercise of a SAR, the holder receives cash, shares of GXO common stock, other securities, other awards, other property or a combination of any of the foregoing, as determined by the Committee, equal in value to the excess, if any, of the fair market value of a share of GXO common stock on the date of exercise of the SAR over the exercise price of the SAR. Subject to the provisions of the Plan (including the minimum vesting period described below) and the applicable award agreement, the Committee determines, at or after the grant of a SAR, the vesting criteria, term, methods of exercise, methods and form of settlement and any other terms and conditions of any SAR. Unless otherwise set forth in the applicable award agreement, each SAR expires upon the earlier of (i) the tenth anniversary of the date the SAR was granted and (ii) three months after the participant who was

holding the SAR ceased to be a director, officer, employee or consultant for GXO or one of its affiliates. Under certain circumstances, the GXO Committee has the ability to substitute, without the consent of the affected participant, SARs for outstanding NSOs. No SAR granted under the Plan could be exercised more than 10 years after the date of grant.		
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### Restricted Shares and Restricted Stock Units

Subject to the provisions of the Plan, the Committee is permitted to grant restricted shares and RSUs. Restricted shares and RSUs are not permitted to be sold, assigned, transferred, pledged or otherwise encumbered except as provided in the Plan or the applicable award agreement, except that the Committee may determine that restricted shares and RSUs are permitted to be transferred by the participant for no consideration. Restricted shares may be evidenced in such manner as the Committee determines.

An RSU is granted with respect to one share of GXO common stock or has a value equal to the fair market value of one such share. Upon the lapse of restrictions applicable to an RSU, the RSU may be paid in cash, shares of GXO common stock, other securities, other awards or other property, as determined by the Committee, or in accordance with the applicable award agreement. In connection with each grant of restricted shares, except as provided in the applicable award agreement, the holder is entitled to the rights of a stockholder (including the right to vote and receive dividends) in respect of such restricted shares. The Committee is permitted to, on such terms and conditions as it might determine, provide a participant who holds RSUs with dividend equivalents, payable in cash, shares of GXO common stock, other securities, other awards or other property.

# Performance Awards

Subject to the provisions of the Plan, the Committee is permitted to grant awards under the Plan that are conditioned on the achievement of performance goals established by the Committee. In its discretion, the Committee sets performance goals that, depending on the extent to which they were met during a specified performance period, determine the number of shares of GXO common stock and/or amount of cash or other property that are paid out to the participant. The Committee, in its sole discretion, is permitted to pay earned performance awards in the form of cash, shares of GXO common stock or other property or any combination thereof that has an aggregate fair market value equal to the value of the earned performance units at the close of the applicable performance period. The determination of the Committee with respect to the form and timing of payout of performance units is set forth in the applicable award agreement. The Committee is permitted to, on such terms and conditions as it might determine, provide a participant who holds performance units with dividends or dividend equivalents, payable in cash, shares of GXO common stock, other securities, other awards or other property.

## Cash Incentive Awards

Subject to the provisions of the Plan, the Committee is permitted to grant cash incentive awards to participants. In its discretion, the Committee determines the number of cash incentive awards to be awarded, the duration of the period in which, and any condition under which, the cash incentive awards vest or are forfeited, and any other terms and conditions applicable to the cash incentive awards. Subject to the provisions of the Plan, the holder of a cash incentive award may receive payment based on the number and value of the cash incentive award earned, which is determined by the Committee, in its discretion, based on the extent to which performance goals or other conditions applicable to the cash incentive award have been achieved.

## Other Stock-Based Awards

Subject to the provisions of the Plan, the Committee is permitted to grant to participants other equity-based or equity-related compensation awards, including vested stock, which shall be granted pursuant to the five percent limit described below under the header "Minimum Vesting Period." The Committee is permitted to determine the amounts and terms and conditions of any such awards.

#### Assumed XPO Awards

Notwithstanding any provisions in the Plan to the contrary, each XPO equity award that is assumed by GXO in the distribution shall be subject to the terms and conditions of the equity compensation plan and award agreement to which such equity award was subject

terms of the employee matters agreement.		
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immediately prior to the distribution, subject to the adjustment of such equity award by the Compensation Committee of XPO and the

#### Clawbacks

The Company may clawback awards provided to eligible employees to the extent required by applicable law and as otherwise determined by the Compensation Committee and set forth in an award agreement.

## Minimum Vesting Period

The Plan is subject to a designated vesting period of at least one year following the date of grant, except that up to five percent of shares available for grant under the Plan may be granted without regard to this requirement. Such minimum vesting period does not apply to equity-based compensation awards issued in connection with the adjustment of outstanding XPO equity-based compensation awards upon the distribution.

#### Amendment and Termination

Subject to any applicable law or government regulation and to the rules of the applicable national stock exchange or quotation system on which the shares of GXO common stock may be listed or quoted, the Plan may be amended, modified or terminated by the GXO Board without the approval of GXO stockholders, except that stockholder approval is required for any amendment that (i) increases the maximum number of shares of GXO common stock available for awards under the Plan or increases the maximum number of shares of GXO common stock that could be delivered pursuant to ISOs granted under the Plan, (ii) changes the class of employees or other individuals eligible to participate in the Plan, (iii) amends or decreases the exercise price of any option or SAR, (iv) cancels or exchanges any option or SAR at a time when its exercise price exceeds the fair market value of the underlying shares, (v) allows repricing of any option or SAR without stockholder approval, or (vi) constitutes a material increase in the benefits to be provided to eligible employees within the meaning of the New York Stock Exchange rules as of the date hereof. Under these provisions, stockholder approval is not to be required for all possible amendments that might increase the cost of the Plan. No modification, amendment or termination of the Plan that materially and adversely impairs the rights of any participant is effective without the consent of the affected participant, unless otherwise provided by the Committee in the applicable award agreement.

The Committee is permitted to waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate any award previously granted under the Plan, the Prior Plan or the Stock Option Plan (as defined below), prospectively or retroactively. However, unless otherwise provided by the Committee in the applicable award agreement or in the Plan, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that materially and adversely impairs the rights of any participant to any award previously granted is not effective without the consent of the affected participant.

The Committee is authorized to make adjustments in the terms and conditions of awards in the event of any unusual or nonrecurring corporate event (including the occurrence of a change of control of GXO) affecting GXO, any of its affiliates or the financial statements of GXO or any of its affiliates, or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles or law whenever the GXO Committee, in its discretion, determined that those adjustments were appropriate or desirable, including providing for the substitution or assumption of awards, accelerating the exercisability of, lapse of restrictions on, or termination of, awards or providing for a period of time for exercise prior to the occurrence of such event and, in its discretion, the GXO Committee is permitted to provide for a cash payment to the holder of an award in consideration for the cancellation of such award.

## Change of Control

The Plan provides that, unless otherwise provided in an award agreement, in the event of a change of control of GXO, awards will be assumed and replaced by awards of equivalent value in connection with the change of control and such assumed awards will have so-called "double trigger" vesting provisions, such that the awards will vest in full and become immediately exercisable upon qualifying

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Unless otherwise provided pursuant to an award agreement, a change of control is defined to mean any of the following events, generally:

- during any period, a change in the composition of a majority of the board of directors, as constituted on the first day of such
  period, that was not supported by a majority of the incumbent board of directors;
- consummation of certain mergers or consolidations of GXO with any other corporation following which GXO stockholders hold 50% or less of the combined voting power of the surviving entity;
- the stockholders approve a plan of complete liquidation or dissolution of GXO; or
- an acquisition by any individual, entity or group of beneficial ownership of a percentage of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors that was equal to or greater than 30%.

Although award agreements may provide for a different definition of change of control than is provided for in the Plan, except in the case of a transaction described in the third bullet above, any definition of change of control set forth in any award agreement must provide that a change of control will not occur until consummation or effectiveness of a change of control of GXO, rather than upon the announcement, commencement, stockholder approval or other potential occurrence of any event or transaction that, if completed, will result in a change of control of GXO.

#### Term of the Plan

Prior to the distribution, it is expected that the Plan will be approved by the GXO Board and by XPO as the sole shareowner of GXO. No award may be granted under the Plan more than ten years after the distribution.

#### CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

#### Agreements with XPO

Following the separation and distribution, GXO and XPO will each operate separately as an independent public company. In connection with the separation, GXO will enter into a separation agreement with XPO to effect the separation and to provide a framework for GXO's relationship with XPO after the separation and will enter into certain other agreements, including a transition services agreement, a tax matters agreement, an employee matters agreement and an intellectual property license agreement. These agreements will provide for the allocation between GXO and XPO of the assets, employees, liabilities and obligations (including, among others, investments, property and employee benefits and tax-related assets and liabilities) of XPO and its subsidiaries attributable to periods prior to, at and after the separation and will govern the relationship between GXO and XPO subsequent to the completion of the separation.

The material agreements described below will be filed as exhibits to the registration statement on Form 10 of which this information statement is a part. The summaries of each of these agreements set forth below are qualified in their entireties by reference to the full text of the applicable agreements, which are incorporated by reference into this information statement.

## **Separation Agreement**

## Transfer of Assets and Assumption of Liabilities

The separation agreement will identify the assets to be transferred, the liabilities to be assumed and the contracts to be transferred to each of GXO and XPO as part of the separation of XPO into two independent companies, and will provide for when and how these transfers and assumptions will occur. In particular, the separation agreement will provide that, among other things, subject to the terms and conditions contained therein:

- certain assets related to the GXO Businesses, which we refer to as the "GXO Assets," will be retained by or transferred to GXO or one of its subsidiaries, including:
  - equity interests in certain GXO subsidiaries that hold assets of the GXO Businesses;
  - the GXO brands, certain other trade names and trademarks, and certain other intellectual property (including patents, know-how and trade secrets), software, information and technology allocated to GXO pursuant to the separation agreement;
  - facilities owned or leased by GXO;
  - certain contracts exclusively related to the GXO Businesses;
  - with respect to certain contracts primarily but not exclusively related to the GXO Businesses, those portions of such contracts to the extent related to the GXO Businesses;
  - other assets and rights expressly allocated to GXO pursuant to the terms of the separation agreement or certain other agreements entered into in connection with the separation;
  - cash in an amount equal to \$100 million (after giving effect to the cash true-up adjustments set forth in the separation agreement);
  - permits that primarily relate to the GXO Businesses; and

0	other assets that are included in GXO's pro forma balance sheet, included in GXO's Unaudited Pro Forma Condensed
	Combined Financial Information, which appear in the section titled "Unaudited Pro Forma Condensed Combined
	Financial Information";

•	certain liabilities related to the GXO Businesses or the GXO Assets, which we refer to as the "GXO Liabilities," will be
	retained by or transferred to GXO; and

all of the assets (including cash and cash equivalents) and liabilities (including whether accrued, contingent or otherwise) other
than the GXO Assets and the GXO Liabilities (such assets and liabilities, other than the GXO Assets and the GXO Liabilities,
we refer to as the "XPO Assets" and "XPO Liabilities," respectively) will be retained by or transferred to XPO.

It is anticipated that, on the distribution date, GXO will have approximately \$100 million of cash. The separation agreement will provide for an adjustment payment to potentially be made following the distribution from GXO to XPO, or from XPO to GXO, so that GXO's final cash balance as of the effective time of the distribution is equal to \$100 million.

Except as expressly set forth in the separation agreement or any ancillary agreement, neither of GXO nor XPO will make any representation or warranty as to the assets, business or liabilities transferred or assumed as part of the separation, as to any approvals or notifications required in connection with the transfers, as to the value of or the freedom from any security interests of any of the assets transferred, as to the absence or presence of any defenses or right of setoff or freedom from counterclaim with respect to any claim or other asset of either of GXO or XPO, or as to the legal sufficiency of any document or instrument delivered to convey title to any asset or thing of value to be transferred in connection with the separation. All assets will be transferred on an "as is," "where is" basis, and the respective transferees will bear the economic and legal risks that any conveyance will prove to be insufficient to vest in the transferee good and marketable title, free and clear of all security interests, that any necessary consents or governmental approvals are not obtained, or that any requirements of law, agreements, security interests or judgments are not complied with.

Information in this information statement with respect to the assets and liabilities of the parties following the distribution is presented based on the allocation of such assets and liabilities pursuant to the separation agreement, unless the context otherwise requires. The separation agreement will provide that in the event that the transfer of certain assets and liabilities (or a portion thereof) to GXO or XPO, as applicable, does not occur prior to the separation, then until such assets or liabilities (or a portion thereof) are able to be transferred, GXO or XPO, as applicable, will hold such assets on behalf and for the benefit of the transferee and will pay, perform and discharge such liabilities, for which the transferee will reimburse GXO or XPO, as applicable, for all commercially reasonable payments made in connection with the performance and discharge of such liabilities.

## The Distribution

The separation agreement will also govern the rights and obligations of the parties regarding the distribution following the completion of the separation. On the distribution date, XPO will distribute to its stockholders that hold XPO common stock as of the record date for the distribution all of the issued and outstanding shares of GXO common stock on a pro rata basis. XPO will not distribute any fractional shares of GXO common stock.

## Conditions to the Distribution

The separation agreement will provide that the distribution is subject to satisfaction (or waiver by XPO in its sole and absolute discretion) of certain conditions. These conditions are described under "The Separation and Distribution—Conditions to the Distribution." XPO will have the sole and absolute discretion to determine (and change) the terms of, and to determine whether to proceed with, the distribution and, to the extent that it determines to so proceed, to determine the record date for the distribution, the distribution date and the distribution ratio.

## Claims

In general, each party to the separation agreement will assume liability for all pending, threatened and unasserted legal matters related to its own business or its assumed or retained liabilities and will indemnify the other party for any liability to the extent arising out of or resulting from such assumed or retained legal matters.

#### Releases

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The separation agreement will provide that GXO and its affiliates will release and discharge XPO and its affiliates from all

liabilities assumed by GXO as part of the separation, from all acts and events occurring or failing

to occur, and all conditions existing, on or before the distribution date relating to the GXO Businesses, except as expressly set forth in the separation agreement. XPO and its affiliates will release and discharge GXO and its affiliates from all liabilities retained by XPO and its affiliates as part of the separation, from all acts and events occurring or failing to occur, and all conditions existing, on or before the distribution date relating to the businesses conducted by XPO, except the GXO Businesses, and from all liabilities existing or arising in connection with the implementation of the separation, except as expressly set forth in the separation agreement.

These releases will not extend to obligations or liabilities under any agreements between the parties that remain in effect following the separation, which agreements include the separation agreement and the other agreements described under "Certain Relationships and Related Party Transactions."

## Indemnification

In the separation agreement, GXO will agree to indemnify, defend and hold harmless XPO, each of XPO's controlled affiliates and each of their respective directors, officers and employees, from and against all liabilities to the extent relating to, arising out of or resulting from:

- the GXO Liabilities;
- GXO's failure or the failure of any other person to pay, perform or otherwise promptly discharge any of the GXO Liabilities, in accordance with their respective terms, whether prior to, at or after the distribution;
- except to the extent relating to an XPO Liability, any guarantee, indemnification or contribution obligation for the benefit of GXO by XPO that survives the distribution;
- any breach by GXO of the separation agreement or any of the ancillary agreements; and
- any untrue statement or alleged untrue statement or omission or alleged omission of material fact in the Form 10 or in this
  information statement (as amended or supplemented), except for any such statements or omissions made explicitly in XPO's
  name.

XPO will agree to indemnify, defend and hold harmless GXO, each of GXO's controlled affiliates and each of their respective directors, officers and employees from and against all liabilities to the extent relating to, arising out of or resulting from:

- the XPO Liabilities;
- the failure of XPO or any other person to pay, perform or otherwise promptly discharge any of the XPO Liabilities in accordance with their respective terms whether prior to, at or after the distribution;
- except to the extent relating to a GXO Liability, any guarantee, indemnification or contribution obligation for the benefit of XPO by GXO that survives the distribution;
- any breach by XPO of the separation agreement or any of the ancillary agreements; and
- any untrue statement or alleged untrue statement or omission or alleged omission of a material fact made explicitly in XPO's name in the Form 10 or in this information statement (as amended or supplemented).

The separation agreement will also establish procedures with respect to claims subject to indemnification and related matters.

Indemnification with respect to taxes, and the procedures related thereto, will be governed by the tax matters agreement.

Non-Comp	ete
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The separation agreement will contain a covenant not to compete, prohibiting, subject to certain customary exceptions, (1) GXO and its subsidiaries from engaging in the XPO retained businesses and (2) XPO and its

subsidiaries from engaging in the GXO Businesses, in each case for a period of two years following the distribution date.

#### Insurance

The separation agreement will provide for the allocation between the parties of rights and obligations under existing insurance policies with respect to claims covered by XPO's insurance prior to the distribution and set forth procedures for the administration of insured claims and related matters.

#### Further Assurances

In addition to the actions specifically provided for in the separation agreement, except as otherwise set forth therein or in any ancillary agreement, GXO and XPO will agree in the separation agreement to use reasonable best efforts, prior to, on and after the distribution date, 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, regulations and agreements to consummate and make effective the transactions contemplated by the separation agreement and the ancillary agreements.

## Dispute Resolution

The separation agreement will contain provisions that govern, except as otherwise provided in any ancillary agreement, the resolution of disputes, controversies or claims that may arise between GXO and XPO related to the separation or distribution and that are unable to be resolved through good faith discussions between GXO and XPO. These provisions will contemplate that efforts will be made to resolve disputes, controversies and claims by escalation of the matter to executives of the parties in dispute. If such efforts are not successful, one of the parties in dispute may submit the dispute, controversy or claim to binding alternative dispute resolution, subject to the provisions of the separation agreement.

#### Expenses

Except as expressly set forth in the separation agreement or in any ancillary agreement, XPO will be responsible for all costs and expenses incurred in connection with the separation incurred prior to the distribution date, including costs and expenses relating to legal and tax counsel, financial advisors and accounting advisory work related to the separation. Except as expressly set forth in the separation agreement or in any ancillary agreement, or as otherwise agreed in writing by GXO and XPO, all costs and expenses incurred in connection with the separation after the distribution will be paid by the party incurring such cost and expense.

#### Amendment and Termination

The separation agreement will provide that it may be terminated, and the separation and distribution may be modified or abandoned, at any time prior to the distribution date in the sole and absolute discretion of the XPO board of directors without the approval of any person, including GXO or XPO stockholders. In the event of a termination of the separation agreement, no party, nor any of its directors, officers or employees, will have any liability of any kind to the other parties or any other person. After the distribution date, the separation agreement may not be amended or terminated, except by an agreement in writing signed by both GXO and XPO.

#### **Transition Services Agreement**

GXO and XPO will enter into a transition services agreement in connection with the separation pursuant to which GXO and XPO and their respective affiliates will provide each other, on an interim, transitional basis, various services, such as, treasury administration, employee benefits administration, information technology services, regulatory services, general administrative services and other support services. The agreed-upon charges for such services are generally intended to allow the servicing party to charge a price

comprised of out-of-pocket costs and expenses and a predetermined profit in the form of a mark-up of such out-of-pocket expenses. The party receiving each transition service will be provided with reasonable information that supports the charges for such transition service by the party providing the service.				
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The services generally will commence on the distribution date and terminate no later than twelve months following the distribution date. The receiving party may terminate any services by giving prior written notice to the provider of such services and paying any applicable wind-down charges.

Subject to certain exceptions, the liabilities of each party providing services under the transition services agreement will generally be limited to the aggregate charges actually paid to such party by the other party pursuant to the transition services agreement. The transition services agreement also will provide that the provider of a service will not be liable to the recipient of such service for any special, indirect, incidental or consequential damages.

#### **Tax Matters Agreement**

In connection with the separation, GXO and XPO will enter into a tax matters agreement that will govern the parties' respective rights, responsibilities and obligations with respect to taxes (including responsibility for taxes, entitlement to refunds, allocation of tax attributes, preparation of tax returns, control of tax contests and other tax matters).

Under the tax matters agreement, XPO generally will be responsible for all U.S. federal income taxes imposed on the XPO consolidated tax return group and state and foreign income, franchise, capital gain, withholding and similar taxes imposed on a consolidated, combined or unitary tax return group (or similar tax group under non-U.S. law) that includes XPO or one of its subsidiaries with respect to taxable periods (or portions thereof) that end on or prior to the distribution date, except (i) special rules will apply with respect to certain taxes imposed in connection with the internal reorganization or the separation and distribution, and (ii) GXO will be responsible for (x) taxes resulting from any breach of certain covenants made by GXO in the tax matters agreement or other separation-related agreements and (y) certain other taxes attributable to GXO's business. GXO generally will be responsible for all federal, state, or foreign income, franchise, capital gain, withholding or similar taxes imposed on a separate return basis on GXO (or any of its subsidiaries or any subgroup consisting solely of GXO and its subsidiaries), as applicable, with respect to taxable periods (or portions thereof) that end on or prior to the date of the relevant distribution, except (i) special rules will apply with respect to certain taxes imposed in connection with the internal reorganization or the separation and distribution and (ii) XPO will be responsible for taxes resulting from any breach of any covenant made by XPO in the tax matters agreement or other separation-related agreements.

The tax matters agreement will provide special rules that allocate tax liabilities in the event either (i) the distribution, together with certain related transactions, fails to qualify as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code or (ii) any internal separation transaction that is intended to qualify as a transaction that is generally tax-free fails to so qualify. Under the tax matters agreement, each party will be responsible for any taxes and related amounts imposed on XPO or GXO as a result of the failure to so qualify, to the extent that the failure to so qualify is attributable to actions, events or transactions relating to such party's respective stock, assets or business, or a breach of the relevant covenants made by that party in the tax matters agreement. Further, under the tax matters agreement, each of XPO and GXO would be responsible for a specified portion of any taxes (and any related costs and other damages) arising as a result of the failure of the distribution and certain related transactions to qualify as a transaction that is generally tax-free (including as a result of Section 355(e) of the Code) or a failure of any internal separation transaction that is intended to qualify as a transaction that is generally tax-free to so qualify, in each case, to the extent such amounts did not result from a disqualifying action by, or acquisition of equity securities of, XPO or GXO.

In addition, the tax matters agreement will impose certain restrictions on GXO and its subsidiaries during the two-year period following the distribution that will be intended to prevent the distribution, together with certain related transactions, from failing to qualify as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code. Specifically, during such period, except in specific circumstances, GXO and its subsidiaries will be prohibited from: (i) ceasing to conduct certain businesses; (ii) entering into certain transactions or series of transactions pursuant to which all or a portion of the shares of GXO common stock would be acquired or all or a portion of certain assets of GXO and its subsidiaries would be acquired; (iii)

liquidating, merging or consolidating with any other person; (iv) issuing equity securities beyond certain thresholds; (v) repurchasing GXO stock other than in certain open-market transactions or (vi) taking or failing to take any other action that would cause the distribution, together with certain related transactions, to fail to qualify as				
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a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code. Further, the tax matters agreement will impose similar restrictions on us and our subsidiaries during the two-year period following the distribution that are intended to prevent certain transactions undertaken as part of the internal reorganization from failing to qualify as transactions that are generally tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code or for applicable non-U.S. income tax purposes.

## **Employee Matters Agreement**

GXO and XPO will enter into an employee matters agreement in connection with the separation to allocate liabilities and responsibilities relating to employment matters, employee compensation and benefits plans and programs, and other related matters. The employee matters agreement will govern certain compensation and employee benefit obligations with respect to the current and former employees and non-employee directors of each company.

The employee matters agreement will provide that, unless otherwise specified, each party will be responsible for liabilities associated with current employees of such party and its subsidiaries and former employees of such party's business for purposes of post-separation compensation and benefit matters. The employee matters agreement will also provide, subject to customary exceptions, that neither XPO nor GXO nor their respective subsidiaries will solicit for employment or hire any individual who is a salaried employee of the other party or its subsidiaries for a period of two years following the distribution date.

The employee matters agreement will also govern the terms of equity-based awards granted by XPO prior to the separation. See "The Separation and Distribution—Treatment of Equity-Based Compensation."

#### **Intellectual Property License Agreement**

GXO and XPO will enter into an intellectual property license agreement in connection with the separation to facilitate and provide for an orderly transition in connection with the transaction. Under the intellectual property license agreement, each of GXO and XPO will be the owner of a copy of the XPO Smart Software for use in its business. The intellectual property license agreement will also provide GXO a non-exclusive license to certain XPO software platforms for use in the operation of the GXO Businesses, and XPO will retain a non-exclusive license to certain GXO software platforms for use in the operation of XPO's retained businesses. Further, the intellectual property license agreement will also provide the parties with reciprocal, non-exclusive licenses under certain intellectual property rights transferred to GXO and certain intellectual property rights retained by XPO in order to provide the parties freedom to operate their respective businesses.

#### MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a discussion of material U.S. federal income tax consequences of the distribution to "U.S. holders" (as defined below) of XPO common stock. This discussion is based on the Code, Treasury Regulations promulgated thereunder, rulings and other administrative pronouncements issued by the IRS, and judicial decisions, in each case as in effect and available as of the date of this information statement and all of which are subject to differing interpretations and change at any time, possibly with retroactive effect. Any such change could affect the accuracy of the statements and conclusions set forth in this document. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below.

This discussion applies only to U.S. holders (as defined below) of shares of XPO common stock who hold such shares as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion is based upon the assumption that the separation and the distribution, together with certain related transactions, were or will be consummated in accordance with the separation agreement and the other agreements related to the separation and as described in this information statement. Holders of XPO common stock that are not U.S. holders should consult their own tax advisors as to the tax consequences of the distribution.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to particular holders of XPO common stock in light of their particular circumstances nor does it address tax consequences applicable to holders that are or may be subject to special treatment under the U.S. federal income tax laws (such as, for example, insurance companies, tax-exempt organizations, financial institutions, mutual funds, certain former U.S. citizens or long-term residents of the United States, broker-dealers, partnerships (or entities or arrangements treated as partnerships for U.S. federal income tax purposes), or other pass-through entities or owners thereof, traders in securities who elect a mark-to-market method of accounting, holders who hold their XPO common stock as part of a "hedge," "straddle," "conversion," "synthetic security," "integrated investment" or "constructive sale transaction," holders who acquired XPO common stock upon the exercise of employee stock options or otherwise as compensation, or U.S. holders whose functional currency is not the U.S. dollar). This discussion also does not address any tax consequences arising under the alternative minimum tax, the Medicare tax on net investment income or the Foreign Account Tax Compliance Act (including the Treasury Regulations promulgated thereunder and intergovernmental agreements entered into pursuant thereto or in connection therewith). In addition, no information is provided with respect to any tax consequences under state, local, or foreign laws or U.S. federal laws other than those pertaining to the U.S. federal income tax. This discussion does not address the tax consequences to any person who actually or constructively owns 5% or more of XPO common stock.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds XPO common stock, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. Holders of XPO common stock that are partnerships and partners in such partnerships should consult their own tax advisors as to the tax consequences of the distribution.

For purposes of this discussion, a "U.S. holder" is a beneficial owner of XPO common stock that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States:
- a corporation (or any other entity treated as a corporation) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

•	a trust, if (1) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of the substantial decisions of such trust or (2) it has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.		
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THE FOLLOWING DISCUSSION IS A SUMMARY OF MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION UNDER CURRENT LAW AND IS FOR GENERAL INFORMATION ONLY. ALL HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE DISTRIBUTION, INCLUDING THE APPLICABILITY AND EFFECT OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. AND OTHER TAX LAWS, IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES AND THE EFFECT OF POSSIBLE CHANGES IN LAW THAT MIGHT AFFECT THE TAX CONSEQUENCES DESCRIBED HEREIN.

It is a condition to the distribution that XPO receives an opinion of its outside counsel, satisfactory to the XPO board of directors, regarding the qualification of the distribution, together with certain related transactions, as a "reorganization" within the meaning of Sections 355 and 368(a)(1)(D) of the Code. The opinion of counsel will be based upon and rely on, among other things, various facts and assumptions, as well as certain representations, statements and undertakings of GXO and XPO (including those relating to the past and future conduct of GXO and XPO). If any of these facts, assumptions, representations, statements or undertakings is, or becomes, inaccurate or incomplete, or if GXO or XPO breaches any of its respective representations or covenants contained in the separation agreement and certain other separation-related agreements and documents or in any documents relating to the opinion of counsel, such opinion of counsel may be invalid and the conclusions reached therein could be jeopardized.

Notwithstanding receipt by XPO of the opinion of counsel, the IRS could determine that the distribution and/or certain related transactions should be treated as taxable transactions for U.S. federal income tax purposes if it determines that any of the facts, representations, assumptions, statements or undertakings upon which the opinion of counsel was based is false or has been violated, or that the distribution and/or certain related transactions should be taxable for other reasons, including as a result of certain transactions occurring after the distribution. In addition, an opinion of counsel represents the judgment of such counsel and is not binding on the IRS or any court and the IRS or a court may disagree with the conclusions in the opinion of counsel. Accordingly, notwithstanding receipt by XPO of the opinion of counsel, there can be no assurance that the IRS will not assert that the distribution and/or certain related transactions do not qualify for tax-free treatment for U.S. federal income tax purposes or that a court would not sustain such a challenge. In the event the IRS were to prevail with such challenge, XPO, GXO and XPO stockholders could be subject to significant U.S. federal income tax liability or tax indemnification obligations. Please refer to "—Material U.S. Federal Income Tax Consequences if the Distribution Is Taxable" below.

Material U.S. Federal Income Tax Consequences if the Distribution, Together with Certain Related Transactions, Qualifies as a Transaction That is Generally Tax-Free under Sections 355 and 368(a)(1)(D) of the Code.

If the distribution, together with certain related transactions, qualifies as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code, the U.S. federal income tax consequences of the distribution generally are as follows:

- no gain or loss will be recognized by (and no amount will be includible in the income of) XPO as a result of the distribution, other than gain or income arising in connection with certain internal restructurings undertaken in connection with the separation and distribution (including with respect to any portion of the borrowing proceeds transferred to XPO from GXO that is not used for qualifying purposes) with respect to any "excess loss account" or "intercompany transaction" required to be taken into account by XPO under Treasury Regulations relating to consolidated U.S. federal income tax returns;
- no gain or loss will be recognized by (and no amount will be includible in the income of) U.S. holders of XPO common stock upon the receipt of GXO common stock in the distribution;
- the aggregate tax basis in the XPO common stock and the GXO common stock received in the distribution in the hands of each U.S. holder of XPO common stock immediately after the distribution will equal the aggregate basis of XPO common stock held by such U.S. holder immediately before the distribution,

allocated between the XPO common stock and the GXO common stock in proportion to the relative fair market value of each on the date of the distribution; and

the holding period of GXO common stock received by each U.S. holder of XPO common stock in the distribution will
generally include the holding period at the time of the distribution for the XPO common stock with respect to which the
distribution is made.

If a U.S. holder of XPO common stock holds different blocks of XPO common stock (generally shares of XPO common stock acquired on different dates or at different prices), such holder should consult its own tax advisor regarding the determination of the basis and holding period of shares of GXO common stock received in the distribution in respect of particular blocks of XPO common stock.

## Material U.S. Federal Income Tax Consequences if the Distribution Is Taxable.

As discussed above, notwithstanding receipt by XPO of an opinion of counsel, the IRS could assert that the distribution does not qualify for tax-free treatment for U.S. federal income tax purposes. If the IRS were successful in taking this position, some or all of the consequences described above would not apply, and XPO, GXO and XPO stockholders could be subject to significant U.S. federal income tax liability. In addition, certain events that may or may not be within the control of XPO or GXO could cause the distribution and certain related transactions not to qualify for tax-free treatment for U.S. federal income tax purposes.

If the distribution, together with certain related transactions, were to fail to qualify as a transaction that is generally tax-free for U.S. federal income tax purposes under Section 355 and 368(a)(1)(D) of the Code, in general, for U.S. federal income tax purposes, XPO would recognize taxable gain as if it had sold the GXO common stock in a taxable sale for its fair market value (unless XPO and GXO jointly make an election under Section 336(e) of the Code with respect to the distribution, in which case, in general, (i) the XPO group would recognize taxable gain as if GXO had sold all of its assets in a taxable sale in exchange for an amount equal to the fair market value of the GXO common stock and the assumption of all GXO's liabilities and (ii) GXO would obtain a related step up in the basis of its assets), and XPO stockholders who receive shares of GXO common stock in the distribution would be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares.

Even if the distribution, together with certain related transactions, were otherwise to qualify as a tax-free transaction under Sections 355(a) and 368(a)(1)(D) of the Code, the distribution may result in taxable gain to XPO (but not its shareholders) under Section 355(e) of the Code if the distribution, together with certain related transactions, were deemed to be part of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, shares representing a 50% or greater interest (by vote or value) in XPO or GXO. For this purpose, any acquisitions of XPO or GXO shares within the period beginning two years before, and ending two years after, the distribution are presumed to be part of such a plan, although XPO or GXO may be able to rebut that presumption (including by qualifying for one or more safe harbors under applicable Treasury Regulations).

In connection with the distribution, GXO and XPO will enter into a tax matters agreement that, among other things, will allocate between GXO and XPO the responsibility for tax liabilities incurred by them as a result of the failure of the distribution, together with certain related transactions, to qualify for tax-free treatment. For a discussion of the tax matters agreement, see "Certain Relationships and Related Person Transactions—Tax Matters Agreement."

THE FOREGOING IS INTENDED ONLY AS A SUMMARY OF MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION UNDER CURRENT LAW. IT IS NOT A COMPLETE ANALYSIS OR DISCUSSION OF ALL POTENTIAL TAX CONSEQUENCES THAT MAY BE IMPORTANT TO PARTICULAR HOLDERS. ALL HOLDERS OF XPO COMMON STOCK SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE DISTRIBUTION, INCLUDING THE APPLICATION AND EFFECT OF U.S. FEDERAL, STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS.

#### **DESCRIPTION OF MATERIAL INDEBTEDNESS**

The material agreements described below are filed as exhibits to the registration statement on Form 10 of which this information statement is a part. The summaries set forth below of each such agreement are qualified in their entirety by reference to the full text of the applicable agreements, which are incorporated by reference into this information statement.

#### Notes

In July 2021, GXO Logistics, Inc. issued \$800 million in aggregate principal amount of notes, consisting of \$400 million in aggregate principal amount of notes due 2026 (the "2026 notes") and \$400 million in aggregate principal amount of notes due 2031 (the "2031 notes", and together with the 2026 notes, the "notes"). The notes were issued pursuant to an indenture dated as of July 2, 2021 (the "Base Indenture") as supplemented by the First Supplemental Indenture dated as of July 2, 2021 (the "Supplemental Indenture", and the Base Indenture as amended or supplemented by the Supplemental Indenture, the "Indenture"), in each case between GXO Logistics, Inc. and Wells Fargo Bank, National Association, as trustee (the "Trustee").

The notes were offered in the United States only to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and, outside the United States, only to non-U.S. investors pursuant to Regulation S under the Securities Act. The offering of the notes has not been registered under the Securities Act or any state securities laws and the notes may not be offered or sold in the United States absent an effective registration statement or an applicable exemption from registration requirements or in a transaction not subject to the registration requirements of the Securities Act or any state securities laws.

The 2026 notes will accrue interest at a rate of 1.65% per year, payable semi-annually in cash in arrears on January 15 and July 15 of each year, beginning on January 15, 2022. The 2026 notes will mature on July 15, 2026, unless earlier repurchased or redeemed, if applicable. The 2031 notes will accrue interest at a rate of 2.65% per year, payable semi-annually in cash in arrears on January 15 and July 15 of each year, beginning on January 15, 2022. The 2031 notes will mature on July 15, 2031, unless earlier repurchased or redeemed, if applicable.

GXO Logistics, Inc. may redeem some or all of the notes of each series at the applicable redemption price, as described in the Supplemental Indenture.

The Indenture contains customary events of default with respect to the notes, including failure to make required payments, failure to comply with certain agreements or covenants and certain events of bankruptcy and insolvency.

The net proceeds from the notes were placed in an escrow account to be released, subject to the satisfaction of certain terms and conditions, prior to the distribution. GXO Logistics, Inc. expects to use the net proceeds from the offering of the notes (i) to transfer all or a portion of the net proceeds of the notes and other cash and cash equivalents to XPO Logistics, Inc., which XPO Logistics, Inc. intends to use to repay existing indebtedness, (ii) to provide working capital to GXO and/or (iii) to pay fees, costs and expenses incurred in connection with the separation, distribution, such financing transactions and related transactions.

In connection with the issuance of the notes, GXO Logistics, Inc. entered into a registration rights agreement, pursuant to which GXO Logistics, Inc. agreed, for the benefit of the holders of the notes, to use commercially reasonable efforts to (i) file a registration statement on an appropriate registration form with respect to a registered offer to exchange each series of notes for new notes with terms substantially identical in all material respects to such series of notes (except that the exchange notes will not contain terms with respect to transfer restrictions or any increase in annual interest rate) and (ii) cause the registration statement to be declared effective under the Securities Act within 360 days of the issue date of the notes.

The foregoing description and the other information in this information statement regarding the notes is included in this information statement solely for informational purposes. Nothing in this information statement should be construed as an offer to sell, or the solicitation of an offer to buy, any such notes.					
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## **Revolving Credit Facility**

In June 2021, GXO Logistics, Inc. entered a Revolving Credit Agreement with the lenders and other parties from time to time party thereto and Citibank, N.A., as administrative agent and an issuing lender (the "Revolving Credit Agreement").

The Revolving Credit Agreement is a five-year unsecured, multicurrency revolving facility. Initially, the aggregate commitment of all lenders under the Revolving Credit Agreement will be equal to \$800 million, of which \$60 million will be available for the issuance of letters of credit. The initial availability of revolving loans and letters of credit under the Revolving Credit Agreement is subject to the satisfaction (or waiver) of certain conditions set forth therein, including the consummation of the distribution (such date of initial availability, the "Closing Date").

On and following the Closing Date, GXO Logistics, Inc. may, subject to certain conditions set forth in the Revolving Credit Agreement, borrow, repay and reborrow revolving loans at any time prior to the fifth anniversary of the Closing Date. Revolving loans and letters of credit initially will be available, at the option of GXO Logistics, Inc., in U.S. dollars, Canadian dollars or Euros.

Loans under the Revolving Credit Agreement will bear interest at a fluctuating rate per annum equal to (i) with respect to borrowings in Dollars, at GXO Logistics, Inc.'s option the alternate base rate or the reserve adjusted LIBOR rate, (ii) with respect to borrowings in Canadian Dollars, the reserve adjusted CDOR rate and (iii) with respect to borrowings in Euros, the reserve adjusted EURIBOR rate, in each case, plus an applicable margin calculated based on GXO Logistics, Inc.'s credit ratings.

The Revolving Credit Agreement contains representations and warranties, affirmative and negative covenants and events of default customary for unsecured financings of this type, including negative covenants that, among other things, after the distribution, limit the ability of GXO Logistics, Inc. and its subsidiaries to incur liens, limit the ability of GXO Logistics, Inc. to make certain fundamental changes and limit the ability of certain of its subsidiaries to incur indebtedness, in each case subject to a number of important exceptions and qualifications. In addition, the Revolving Credit Agreement requires, after the distribution, GXO Logistics, Inc. to maintain a maximum consolidated leverage ratio.

#### **Finance Leases**

As of March 31, 2021, pro forma for the separation and distribution, GXO Logistics, Inc. and its subsidiaries had finance lease liabilities of \$163 million.

#### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Before the separation and distribution, all of the outstanding shares of GXO common stock will be owned beneficially and of record by XPO. Following the separation and distribution, GXO expects to have outstanding an aggregate of approximately 114,602,061 shares of common stock based upon approximately 114,602,061 shares of XPO common stock issued and outstanding on July 9, 2021, excluding treasury shares, assuming no exercise of XPO options and applying the distribution ratio.

## **Stock Ownership of Certain Beneficial Owners**

The following table shows all holders known to GXO that are expected to be beneficial owners of more than 5% of the outstanding shares of GXO common stock immediately following the completion of the distribution, based on information available as of July 9, 2021 and based upon the assumption that, for every share of XPO common stock held by such persons, they will receive one share of GXO common stock.

	Amount and Nature of	
Name and Address of Beneficial Owner	Beneficial Ownership	Percent of Class
Jacobs Private Equity, LLC	15,133,201 (1)	13.2 %
Orbis Investment Management Limited <sup>(2)</sup> Orbis House, 25 Front Street Hamilton Bermuda HM11	13,980,053	12.2 %
BlackRock, Inc. <sup>(3)</sup> 55 East 52nd Street New York, NY 10055	8,327,934	7.3 %
The Vanguard Group <sup>(4)</sup> 100 Vanguard Blvd. Malvern, PA 19355	8,095,381	7.1 %

- (1) Brad Jacobs has indirect beneficial ownership of the shares of XPO common stock beneficially owned by Jacobs Private Equity, LLC ("JPE"), as a result of being its managing member. In addition, Mr. Jacobs directly owns 387,416 shares of XPO common stock following the vesting of equity incentive awards and exercise of stock options. See footnote (1) in the table below.
- (2) Based on Amendment No. 8 to the Schedule 13G filed on January 11, 2021 by Orbis Investment Management Limited ("OIML"), Orbis Investment Management (U.S.), L.P. ("OIMUS") and Allan Gray Australia Pty Ltd ("AGAPL"), which reported that, as of December 31, 2020, OIML beneficially owned 13,853,375 shares of XPO common stock, OIMUS beneficially owned 119,113 shares of XPO common stock, and AGAPL beneficially owned 7,565 shares of XPO common stock. The group has sole voting and sole dispositive power over such shares of XPO common stock.
- (3) Based on Amendment No. 2 to the Schedule 13G filed on February 1, 2021 by BlackRock, Inc., which reported that, as of December 31, 2020, BlackRock, Inc. beneficially owned 8,327,934 shares of our common stock, with sole voting power over 7,764,109 shares of XPO common stock and sole dispositive power over 8,327,934 shares of XPO common stock.
- (4) Based on Amendment No. 6 to the Schedule 13G filed on February 10, 2021 by The Vanguard Group, which reported that, as of December 31, 2020, The Vanguard Group beneficially owned 8,095,381 shares of XPO common stock with shared voting power over 83,351 shares of XPO common stock, sole dispositive power over 7,889,423 shares of XPO common stock and shared dispositive power over 205,958 shares of XPO common stock.

#### Stock Ownership of Directors and Executive Officers

The following table shows the ownership or GXO common stock, deferred share units and deferred restricted share units expected to be beneficially owned by our directors, named executive officers, and our directors and current executive officers as a group immediately following the completion of the distribution, based on information
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available as of July 9, 2021 and based on the assumption that, for every share of XPO common stock held by such persons, they will receive one share of GXO common stock.

	Shares of Common	
	Stock Beneficially	Percentage of Common
Name of Beneficial Owner	Owned	Stock Outstanding
Directors:	<u> </u>	
Brad Jacobs	15,520,617 <sup>(1)</sup>	13.5 %
Oren Shaffer	31,136 <sup>(2)</sup>	*
Marlene Colucci	2,637 <sup>(3)</sup>	*
Gena Ashe	0 <sup>(4)</sup>	*
Clare Chatfield	0	*
Joli Gross	539	*
NEOs:		
Malcolm Wilson <sup>+</sup>	15,844 <sup>(5)</sup>	*
Baris Oran	0(6)	*
Karlis Kirsis	20,922 <sup>(7)</sup>	*
Maryclaire Hammond	5,282 <sup>(8)</sup>	*
Current Directors & Officer As a Group	15,596,977	13.6 %

- \* Less than 1%
- + Director and Executive Officer
- (1) Mr. Jacobs has indirect beneficial ownership of the shares of XPO common stock (15,133,201) beneficially owned by JPE as a result of being its managing member. Also includes 387,416 shares of XPO common stock held directly by Mr. Jacobs following the vesting of equity incentive awards and exercise of stock options.
- (2) Excludes 29,044 vested deferred and unvested RSUs that will be converted to GXO RSUs on August 2, 2021.
- (3) Excludes 3,996 vested deferred and unvested RSUs that will be converted to GXO RSUs on August 2, 2021.
- (4) Excludes 16,002 vested deferred and unvested RSUs that will be converted to GXO RSUs on August 2, 2021.
- (5) Excludes 53,862 unvested RSUs that will be converted to GXO RSUs on August 2, 2021.
- (6) Excludes 100,000 unvested stock options that will be converted to GXO stock options on August 2, 2021.
- (7) Excludes 13,683 unvested RSUs that will be converted to GXO RSUs on August 2, 2021.
- (8) Excludes 9,114 unvested RSUs that will be converted to GXO RSUs on August 2, 2021.

#### DESCRIPTION OF CAPITAL STOCK

GXO's certificate of incorporation and bylaws will be amended and restated prior to the distribution. The following briefly summarizes the material terms of our capital stock that will be contained in our amended and restated certificate of incorporation and amended and restated bylaws. These summaries do not describe every aspect of these securities and documents and are subject to all the provisions of our amended and restated certificate of incorporation or amended and restated bylaws that will be in effect at the time of the distribution, and are qualified in their entirety by reference to these documents, which you should read (along with the applicable provisions of Delaware law) for complete information on our capital stock as of the time of the distribution. The amended and restated certificate of incorporation and amended and restated bylaws, each in a form expected to be in effect at the time of the distribution, will be included as exhibits to GXO's registration statement on Form 10, of which this information statement forms a part. We will include our amended and restated certificate of incorporation and amended and restated bylaws, as in effect at the time of the distribution, in a Current Report on Form 8-K filed with the SEC. The following also summarizes certain relevant provisions of the DGCL. Since the terms of the DGCL are more detailed than the general information provided below, you should read the actual provisions of the DGCL for complete information.

#### General

GXO's authorized capital stock will consist of 300,000,000 shares of common stock, par value \$0.01 per share, and 10,000,000 shares of preferred stock, par value \$0.01 per share.

Immediately following the distribution, we expect that approximately 114,602,061 shares of our common stock will be issued and outstanding, based on approximately 114,602,061 shares of XPO common stock issued and outstanding on July 9, 2021, and that no shares of our preferred stock will be issued and outstanding.

GXO's common stock is expected to be listed on the NYSE under the symbol "GXO."

#### Common Stock

Immediately following the distribution, we expect that approximately 114,602,061 shares of our common stock will be issued and outstanding, all of which will be fully paid and non-assessable.

Common stockholders will be entitled to one vote for each share held on all matters submitted to a vote of stockholders. Except as otherwise required by law and except for director elections (see below), whenever any corporate action is to be taken, such action will be authorized by a majority of the votes cast at a meeting of stockholders by the stockholders entitled to vote thereon.

Common stockholders will be entitled to share equally in the dividends, if any, that may be declared by GXO's board of directors out of funds that are legally available to pay dividends, but only after payment of any dividends required to be paid on outstanding preferred stock, if any. Upon any voluntary or involuntary liquidation, dissolution or winding up of GXO, the common stockholders will be entitled to share ratably in all assets of GXO remaining after we pay all of our debts and other liabilities and any amounts we may owe to the holders of our preferred stock, if any.

Common stockholders will not have any preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of common stockholders will be subject to the rights of the stockholders of any series of preferred stock that we will or may designate and issue.

Delaware law and our amended and restated bylaws will permit us to issue uncertificated shares of common stock.

#### **Preferred Stock**

Pursuant to Delaware law and our amended and restated certificate of incorporation, our board of directors will have the authority, without further action by the stockholders, to issue shares of preferred stock in one or more series, and to fix the rights, preferences and privileges (including voting rights, dividend rights, conversion rights,
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redemption privileges and liquidation preferences) of each series, which may be greater than the rights of the common stock.

Immediately following the distribution, we expect no shares of our preferred stock to be issued and outstanding.

## **Corporate Governance**

We will institute strong corporate governance practices, as described below and elsewhere in this information statement. Responsible and appropriate corporate governance will ensure that our management always keeps stockholder interests in mind when crafting value-creating strategies at all levels of the organization.

Single Class Capital Structure. We will have a single class share capital structure with all stockholders entitled to vote for director nominees and each holder of common stock entitled to one vote per share.

Director Elections. The election of directors in an uncontested election will require the affirmative vote of a majority of the votes cast (the number of shares voted "for" a director's election exceeds fifty percent (50%) of the number of votes cast with respect to that director's election) by holders of shares of our common stock at the meeting at which a quorum is present. If any incumbent director standing for re-election receives a greater number of votes "against" his or her election than votes "for" such election, our amended and restated bylaws will require that such person promptly tender his or her resignation to our board of directors. Once an election is determined to be a contested election, directors will be elected by a plurality of the votes cast at the meeting at which a quorum is present.

Classified Board. As discussed further below, upon completion of the separation, we will have a classified board until 2025.

Majority Vote for Mergers and Other Business Combinations. Mergers and other business combinations involving GXO will generally be required to be approved by a majority of our outstanding shares of common stock where such stockholder approval is required.

Other Expected Corporate Governance Features. Governance features related to our board of directors are set forth in the section of this information statement captioned "Directors." In addition to the foregoing, it is expected that we will implement stock ownership guidelines for directors and senior executive officers, annual board performance evaluations, clawback and anti-hedging policies, prohibitions on option repricing in equity plans without stockholder approval, risk oversight procedures and other practices and protocols.

# Anti-Takeover Effects of Various Provisions of Delaware Law, our Amended and Restated Certificate of Incorporation, and our Amended and Restated Bylaws

Provisions of the DGCL, our amended and restated certificate of incorporation and our amended and restated bylaws could make it more difficult to acquire GXO by means of a tender offer, a proxy contest or otherwise, or to remove incumbent officers and directors. These provisions, summarized below, are expected to discourage types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of GXO to first negotiate with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure GXO outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

Delaware Anti-Takeover Statute. Section 203 of the DGCL, an anti-takeover statute, generally prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the time the person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. A "business combination" generally includes a merger,

asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. An "interested stockholder" generally is a person who, together with affiliates and associates, owns (or within three years prior to the determination of interested stockholder status did own) 15 percent or more of a corporation's voting stock. The existence of this
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provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock. A corporation may "opt out" of Section 203 of the DGCL in its certificate of incorporation. GXO will not "opt out" of, and will thus be subject to, Section 203 of the DGCL.

Classified Board. Upon completion of the separation, our board of directors will initially be divided into three classes, with Class I composed of [ ] directors, Class II composed of [ ] directors and Class III composed of [ ] directors. The directors designated as Class I directors will have terms expiring at the first annual meeting of stockholders following the distribution, which we expect to hold in 2022. The directors designated as Class II directors will have terms expiring at the following year's annual meeting of stockholders, which we expect to hold in 2023, and the directors designated as Class III directors will have terms expiring at the following year's annual meeting of stockholders, which we expect to hold in 2024. At the first annual meetings of stockholders following the distribution, the successors of Class I directors will be elected to serve for a term of three years each. Commencing with the second annual meeting of stockholders following the separation, directors for each class will be elected at the annual meeting of stockholders held in the year in which the term for that class expires and thereafter each director will serve for a term of one year and until his or her successor is duly elected and qualified, or until his or her earlier resignation or removal. Consequently, by 2025, all of our directors will stand for election each year for one year terms, and our board will therefore no longer be divided into three classes. Before our board of directors is declassified, it would take at least two elections of directors for any individual or group to gain control of our board of directors. Accordingly, while the classified board is in effect, these provisions could discourage a third-party from initiating a proxy contest, making a tender offer or otherwise attempting to gain control of our company.

Size of Board and Vacancies. Our amended and restated certificate of incorporation and bylaws will provide that the number of directors on our board of directors will be fixed exclusively by our board of directors. Our bylaws will also provide that the size of the board of directors will be not less than one nor more than twelve members. Any vacancies created in the board of directors resulting from any increase in the authorized number of directors or the death, resignation, retirement, disqualification, removal from office or other cause will be filled by a majority of the board of directors then in office, even if less than a quorum is present, or by a sole remaining director. Any director appointed to fill a vacancy on our board of directors will be appointed for a term expiring at the next annual meeting of stockholders, and until his or her successor has been elected and qualified.

*Director Removal*. Our amended and restated certificate of incorporation and/or bylaws will provide that (i) prior to the board being fully declassified, as discussed above, stockholders will be permitted to remove a director only for cause; and (ii) after the board has been fully declassified, stockholders may remove the Company's directors with or without cause. Removal will require the affirmative vote of at least a majority of the Company's voting stock.

Stockholder Action by Written Consent. Our amended and restated certificate of incorporation will expressly eliminate the right of our stockholders to act by written consent effective as of the distribution. Stockholder action must take place at the annual or at a special meeting of GXO stockholders.

Special Stockholder Meetings. Our amended and restated certificate of incorporation will provide that the Chairman of the board of directors or the board of directors pursuant to a resolution adopted by a majority of the entire board of directors may call special meetings of our stockholders. Stockholders may not call special meetings of stockholders.

Requirements for Advance Notification of Stockholder Nominations and Proposals. Our amended and restated certificate of incorporation will mandate that stockholder nominations for the election of directors be given in accordance with the bylaws. Our amended and restated bylaws will establish advance notice procedures with respect to stockholder proposals and nomination of candidates for election as directors as well as other requirements for stockholders making the proposals or nominations. Additionally, the bylaws will require that candidates for election as director disclose their qualifications and make certain representations.

*No Cumulative Voting*. The DGCL provides that stockholders are denied the right to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation will not provide for cumulative voting.

Undesignated Preferred Stock. Our amended and restated certificate of incorporation will authorize 10,000,000 shares of undesignated preferred stock. As a result, our board of directors will be permitted, without the approval of holders of our common stock, to issue shares of our preferred stock with super voting, special approval, dividend or other rights or preferences on a discriminatory basis that could impede the success of any attempt to acquire GXO. These and other provisions may have the effect of deferring, delaying or discouraging hostile takeovers or changes in control or management of GXO.

## Limitation of Liability and Indemnification of Officers and Directors

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties as directors, and our amended and restated certificate of incorporation will include such an exculpation provision. Our amended and restated certificate of incorporation and amended and restated bylaws will include provisions that indemnify, to the fullest extent allowable under the DGCL, the personal liability of directors or officers for monetary damages for actions taken as a director or officer of GXO, or for serving at our request as a director or officer or in another position at another corporation or enterprise, as the case may be. Our amended and restated certificate of incorporation and amended and restated bylaws will also provide that we must indemnify and advance expenses to our directors and officers, subject to our receipt of an undertaking from the indemnitee as may be required under the DGCL. We will also be expressly authorized to, and intend to, carry directors' and officers' insurance to protect GXO and our directors, officers, employees and agents from certain liabilities.

The limitation of liability and indemnification provisions that will be in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duties. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. We may be adversely affected to the extent that, in a class action or direct suit, we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

## **Authorized but Unissued Shares of Common Stock**

Authorized but unissued shares of our common stock and preferred stock will be available for future issuance without approval by the holders of our common stock. We will be permitted to use additional shares for a variety of corporate purposes, including future public offerings to raise additional capital, employee benefit plans and as consideration for or to finance future acquisitions, investments or other purposes. The existence of authorized but unissued shares of our common stock and preferred stock could render more difficult or discourage an attempt to obtain control of GXO by means of a proxy contest, tender offer, merger or otherwise.

## **Exclusive Forum**

Our amended and restated certificate of incorporation will provide that unless our board of directors otherwise determines, the state courts within the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of GXO, any action asserting a claim for or based on a breach of a fiduciary duty owed by any current or former director or officer of GXO to GXO or to GXO stockholders, including a claim alleging the aiding and abetting of such a breach of fiduciary duty, any action asserting a claim against GXO or any current or former director or officer of GXO arising pursuant to any provision of the DGCL or our amended and restated certificate of incorporation or amended and restated bylaws, any action asserting a claim relating to or involving GXO

governed by the internal	affairs doctrine, or	r any action asserting	an "internal c	corporate claim"	as that term is	defined in S	ection 115 o	f
the DGCL.								

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. Accordingly,

both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation will further provide that the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty of liability created by the Exchange Act or the rules and regulations thereunder, and as a result, the exclusive forum provision does not apply to actions arising under the Exchange Act or the rules and regulations thereunder. While the Delaware Supreme Court ruled in March 2020 that federal forum selection provisions purporting to require claims under the Securities Act be brought in federal court are "facially valid" under Delaware law, there is uncertainty as to whether other courts will enforce our federal forum provision described above. Our stockholders will not be deemed to have waived compliance with the federal securities laws and the rules and regulations thereunder.

## Listing

We expect to list our shares of common stock on the NYSE under the symbol "GXO."

## Sale of Unregistered Securities

On February 16, 2021, GXO issued 100 shares of its common stock to XPO for total consideration of \$10. Pursuant to Section 4(a)(2) of the Securities Act, we did not register the issuance of the issued shares under the Securities Act because such issuance did not constitute a public offering.

## **Transfer Agent and Registrar**

After the distribution, the transfer agent and registrar for our common stock will be Computershare.

#### WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form 10 with the SEC with respect to the shares of our common stock being distributed as contemplated by this information statement. This information statement is a part of, and does not contain all of the information set forth in, the registration statement and the exhibits and schedules to the registration statement. For further information with respect to GXO and GXO common stock, please refer to the registration statement, including its exhibits and schedules. Statements made in this information statement relating to any contract or other document filed as an exhibit to the registration statement include the material terms of such contract or other document. However, such statements are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contract or document. You may review a copy of the registration statement, including its exhibits and schedules, on the internet website maintained by the SEC at <a href="https://www.sec.gov">www.sec.gov</a>. Information contained on or connected to any website referenced in this information statement is not incorporated into this information statement or the registration statement of which this information statement forms a part, or in any other filings with, or any information furnished or submitted to, the SEC.

As a result of the distribution, GXO will become subject to the information and reporting requirements of the Exchange Act and, in accordance with the Exchange Act, will file periodic reports, proxy statements and other information with the SEC.

We intend to furnish holders of our common stock with annual reports containing combined financial statements prepared in accordance with U.S. generally accepted accounting principles and audited and reported on, with an opinion expressed, by an independent registered public accounting firm.

You should rely only on the information contained in this information statement or to which this information statement has referred you. We have not authorized any person to provide you with different information or to make any representation not contained in this information statement.

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#### Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

XPO Logistics, Inc.:

Opinion on the Combined Financial Statements

We have audited the accompanying combined balance sheets of GXO Logistics, Inc. (the Company) as of December 31, 2020 and 2019, the related combined statements of operations, comprehensive income (loss), cash flow, and changes in equity for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the combined financial statements). In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Change in Accounting Principle

As discussed in Note 7 to the combined financial statements, the Company changed its method of accounting for leases in 2019 due to the adoption of Accounting Standard Update (ASU) No. 2016-02, *Leases* and its related amendments (Topic 842).

Basis for Opinion

These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined 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 combined 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 combined 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 combined financial statements. We believe that our audits provide a reasonable basis for our opinion.

#### Critical Audit Matter

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

Assessment of the carrying value of goodwill

As discussed in Notes 2 and 8 to the combined financial statements of the Company, the goodwill balance as of December 31, 2020 was \$2,063 million. The Company performs goodwill impairment testing annually, or more frequently if events or circumstances indicate the carrying value of a reporting unit that includes goodwill might exceed the fair value of that reporting unit. In assessing the carrying value of goodwill, the Company uses a third-party specialist, who uses a combination of an income approach and a market approach to estimate fair value. The

income approach is based on the present value of estimated future cash flows, discounted at a risk-adjusted rate to estimate the fair value of the Company's reporting units. The market approach is based on comparable market multiples for companies engaged in similar business, as well as recent transactions within the industry.

We identified the assessment of the carrying value of goodwill for each of the Company's two reporting units as a critical audit matter. Assessment of certain assumptions used to estimate fair value under the income approach, including the fair value model, long-term future growth rates, and the risk-adjusted discount rate, had estimation uncertainty which resulted in subjective auditor judgment and required specialized skills and knowledge. Additionally, assessment of the guideline public companies and transactions within the industry used to estimate fair value under the market approach required significant auditor judgment. Changes to these assumptions may have a significant effect on the Company's assessment of the carrying value of the goodwill.

The following are the primary procedures performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's goodwill impairment assessment process. This included controls related to the determination of the fair value of the reporting units, including the Company's estimate of long-term future growth rates, the assumptions used to develop the risk-adjusted discount rates, and the determination of the guideline public companies and transactions within the industry. We performed sensitivity analyses over the fair value model for long-term future growth rates to assess their impact on the Company's determination of the fair value of each reporting unit. We compared the Company's historical growth rate forecast to actual results to assess the Company's ability to accurately forecast. We involved valuation professionals with specialized skill and knowledge, who assisted in:

- comparing the valuation methodologies used by the Company to valuation standards
- comparing the Company's risk-adjusted discount rates to risk-adjusted discount rate ranges that were independently developed using publicly available third-party market data for comparable entities
- comparing the long-term growth rates to industry data, economic growth data, and long-term growth rates used by the Company in prior years' valuation analyses
- evaluating the guideline public companies and transactions used by the Company by reading the business descriptions, examining financial metrics of the comparable public companies and transactions within the industry, and considering market participant guidance and perspective.

/s/ KPMG LLP

We have served as the Company's auditor since 2021.

Stamford, Connecticut

March 19, 2021

**GXO** Logistics, Inc.

**Combined Balance Sheets** 

	December 31,			
(In millions)		2020		2019
ASSETS				
Current assets				
Cash and cash equivalents	\$	328	\$	200
Accounts receivable, net of allowances of \$18 and \$20, respectively		1,224		1,069
Other current assets		284		219
Total current assets		1,836		1,488
Long-term assets				
Property and equipment, net of \$922 and \$685 in accumulated depreciation, respectively		770		742
Operating lease assets		1,434		1,458
Goodwill		2,063		1,984
Identifiable intangible assets, net of \$373 and \$302 in accumulated amortization, respectively		299		343
Other long-term assets		146		136
Total long-term assets		4,712	-	4,663
Total assets	\$	6,548	\$	6,151
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable	\$	415	\$	413
Accrued expenses		784		609
Short-term borrowings and current finance lease liabilities		58		31
Short-term operating lease liabilities		332		336
Other current liabilities		149		94
Total current liabilities		1,738		1,483
Long-term liabilities				
Long-term debt and finance lease liabilities		615		642
Deferred tax liability		54		85
Long-term operating lease liabilities		1,099		1,124
Other long-term liabilities		94		120
Total long-term liabilities		1,862		1,971
Equity				
XPO investment		2,765		2,633
Accumulated other comprehensive income (loss)		58		(66)
Total equity before noncontrolling interests		2,823		2,567
Noncontrolling interests		125		130
Total equity		2,948		2,697
Total liabilities and equity	\$	6,548	\$	6,151

December 31,

**GXO** Logistics, Inc.

# **Combined Statements of Operations**

\$

(In millions)

Revenue

Direct operating expense

Sales, general and administrative expense

Depreciation and amortization expense

 2020
 2019
 2018

 6,195
 \$ 6,094
 \$ 6,065

 5,169
 5,112
 5,117

 611
 514
 528

 323
 302
 261

 47
 1
 9

 29
 15
 7

Years Ended December 31,

1			
Transaction and integration costs	47	1	9
Restructuring costs	29	15	7
Operating income	16	150	143
Other income	(2)	(1)	(13)
Interest expense	24	33	30
Income (loss) before income taxes	(6)	118	126
Income tax provision	16	37	36
Net income (loss)	(22)	81	90
Net income attributable to noncontrolling interests	(9)	(21)	(20)
Net income (loss) attributable to GXO	\$ (31)	\$ 60	\$ 70

**GXO** Logistics, Inc.

### **Combined Statements of Comprehensive Income (Loss)**

Years Ended December 31, 2018 (In millions) 2020 2019 Net income (loss) \$ (22) \$ 81 \$ 90 Other comprehensive income (loss), net of tax Foreign currency translation gain (loss), net of tax effect of \$(3), \$3 and \$ 129 \$ (13) \$ (89)\$(1) Unrealized gain (loss) on financial assets/liabilities designated as hedging instruments, net of tax effect of \$--, \$-- and \$3 2 (7)1 Defined benefit plans adjustment, net of tax effect of \$—, \$— and \$— 1 (1) 132 (12)(97)Other comprehensive income (loss) \$ Comprehensive income (loss) 110 \$ 69 \$ (7)3 Less: Comprehensive income attributable to noncontrolling interests 17 23 Comprehensive income (loss) attributable to GXO \$ 93 \$ 46 \$ (10)

# **GXO** Logistics, Inc.

# **Combined Statements of Cash Flow**

Years Ended December 31,

2018
81 \$ 90
02 261
38 20
73) 39
51 (64)
41) (39)
13) 28
45 335
22) (270)
15 30
12 —
52) —
47) (240)
76) (139)
58) —
61 47
78 65
(7) (11)
02) (38)
3 (11)
01) 46
01 255
00 \$ 301
29 \$ 33

### **GXO** Logistics, Inc.

### **Combined Statements of Changes in Equity**

## For the Three Years Ended December 31, 2020, 2019 and 2018

Accumulated Other **Equity Before** Non-XPO Comprehensive Noncontrolling controlling (In millions) Investment Income (Loss) Interests **Total Equity** Interests Balance as of December 31, 2017 \$ 2,202 \$ 28 \$ 2,230 \$ 311 \$ 2,541 70 Net income 70 20 90 Other comprehensive loss (80)(97)(80)(17)Net transfers from XPO 40 40 40 Balance as of December 31, 2018 \$ 2,312 \$ (52)2,260 \$ 314 \$ 2,574 Net income 60 60 21 81 2 Other comprehensive income (loss) (14)(14)(12)Purchase of noncontrolling interests (3) (3) (255)(258)Other (7) (7) (2) (9) Net transfers from XPO 271 271 50 321 \$ 2,633 \$ (66) \$ 2,567 \$ 130 \$ 2,697 Balance as of December 31, 2019 Net income (loss) 9 (22)(31)(31)Other comprehensive income 124 124 8 132 Purchase of noncontrolling interests (1) (1) (20)(21)Net transfers from XPO 164 164 (2) 162 Balance as of December 31, 2020 \$ 2,765 \$ 58 \$ 2,823 \$ 125 \$ 2,948

#### **GXO** Logistics, Inc.

#### **Notes to Combined Financial Statements**

### Years Ended December 31, 2020, 2019 and 2018

### 1. Organization

#### Nature of Operations

We are a leading global provider of logistics services, with operations primarily in North America and Europe. We provide high-value-add warehousing and distribution, order fulfillment and other supply chain services differentiated by our ability to deliver technology-enabled, customized solutions. In addition, we are a major provider of reverse logistics, which is also called returns management. We serve a broad range of customers in the e-commerce and retail, food and beverage, consumer packaged goods, aerospace, consumer technology, manufacturing and other industries. We present our operations in the Combined Financial Statements as one reportable segment.

### The Proposed Distribution

In December 2020, the board of directors of our parent company, XPO Logistics, Inc. (together with its subsidiaries, "XPO"), unanimously approved a plan to pursue a spin-off of 100% of its Logistics segment as a separate publicly traded company named GXO Logistics, Inc. ("GXO", the "Company" or "we"). The spin-off is expected to be completed through a tax-free pro rata distribution of all the outstanding shares of common stock of GXO (the "Distribution") to XPO shareholders. GXO's stock is expected to trade on the New York Stock Exchange. Completion of the transaction, is subject to a number of conditions including the approval of XPO's board of directors, in its sole and absolute discretion. References to GXO or the Company include the subsidiaries of XPO that will be subsidiaries of GXO at the time of the Distribution.

#### 2. Basis of Presentation and Significant Accounting Policies

#### **Basis of Presentation**

The combined financial statements of GXO were prepared on a standalone basis and have been derived from the consolidated financial statements and accounting records of XPO. These financial statements reflect the combined historical results of operations, financial position and cash flows of GXO in accordance with U.S. generally accepted accounting principles ("GAAP").

Historically, separate financial statements have not been prepared for the Company and it has not operated as a standalone business separate from XPO. The combined financial statements include certain assets and liabilities that have historically been held by XPO or by other XPO subsidiaries but are specifically identifiable or otherwise attributable to the Company. All significant intercompany transactions between XPO and the Company have been included as components of XPO investment in the combined financial statements, as they are to be considered effectively settled upon effectiveness of the Distribution. The combined financial statements are presented as if the GXO businesses had been combined for all periods presented. The assets and liabilities in the combined financial statements have been reflected on a historical cost basis, as immediately prior to the Distribution all of the assets and liabilities presented are wholly owned by XPO and are being transferred to GXO at a carry-over basis.

The Combined Balance Sheets include certain assets and liabilities directly attributable to GXO, and the Combined Statements of Operations include allocations of XPO costs and expenses, as described below.

XPO's corporate function ("Corporate") incurs a variety of expenses including, but not limited to, information technology, human resources, accounting, sales and sales operations, procurement, executive services, legal, corporate finance and communications. For purposes of the Combined Statements of Operations, an allocation of these expenses is included to burden all business units comprising XPO's historical operations. The charges reflected have either been specifically identified or allocated using drivers including proportional adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA"), which includes adjustments for

transaction and integration costs, as well as restructuring costs and other adjustments, or headcount. The majority of these allocated costs are recorded in SG&A and Depreciation and amortization expense in the Combined Statements of Operations. We believe the assumptions regarding allocations of XPO corporate expenses are reasonable. Nevertheless, the combined financial statements may not reflect the combined results of operations, financial position and cash flows had the Company been a standalone entity during the periods presented.

Direct operating expenses are comprised of both fixed and variable expenses and consist of operating costs related to our logistics facilities, including personnel costs, facility and equipment expenses, such as rent, utilities, equipment maintenance and repair, transportation costs, costs of materials and supplies and information technology expenses. SG&A, including the allocated costs of XPO, primarily consists of salary and benefit costs for executive and certain administration functions, professional fees, facility costs not related to our logistics facilities, bad debt expense and legal costs. We report depreciation and amortization expense as a separate line within operating income on our Combined Statements of Operations.

XPO investment represents XPO's historical investment in GXO, and includes the net effects of transactions with and allocations from XPO as well as GXO's accumulated earnings. Certain transactions between GXO and XPO, including XPO's non-GXO subsidiaries, have been included in these combined financial statements, and are considered to be effectively settled at the time the transaction is recorded. The total net effect of the cash settlement of these transactions is reflected in the Combined Statements of Cash Flows as a financing activity and in the Combined Balance Sheets as XPO investment. The components of the net transfers to and from XPO include certain costs allocated from Corporate functions, income tax expense, certain cash receipts and payments made on behalf of GXO and general financing activities.

#### Principles of Combination

The combined financial statements include the accounts and business activities distributed across the legal entities of GXO. Significant intercompany balances and transactions among the operations of the GXO legal entities have been eliminated in the combined financial statements. All significant related party transactions between GXO and XPO have been included in these combined financial statements as components of XPO investment. The preparation of the combined financial statements in accordance with GAAP requires us to make estimates and assumptions that impact the amounts reported and disclosed in our combined financial statements and the accompanying notes. We prepared these estimates based on the most current and best available information, but actual results could differ materially from these estimates and assumptions, particularly in light of the outbreak of a strain of coronavirus, COVID-19. COVID-19 has had, and we expect will continue to have, significant effects on economic activity, on demand for our services, and on our results of operations in 2021.

We have a controlling financial interest in entities generally when we own a majority of the voting interest. The noncontrolling interests reflected in our combined financial statements primarily relate to a minority interest in XPO Logistics Europe SA ("XPO Logistics Europe"), a business XPO acquired in 2015. As described in Note 3—Purchases of Noncontrolling Interest, XPO purchased portions of the noncontrolling interests in both 2020 and 2019. Following these acquisitions, the noncontrolling interest was approximately 3% and 5% of XPO Logistics Europe at December 31, 2020 and 2019, respectively.

#### **Significant Accounting Policies**

#### Revenue Recognition

We recognize revenue when we transfer control of promised products or services to customers in an amount equal to the consideration we expect to receive for those products or services.

Performance Obligations

rice is allocated to each distinct performance obligation and recognized as revenue when the performance obligation is satisfied.				
		F-10		

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction

We generate revenue by providing supply chain services for our customers, including warehousing and distribution, order fulfillment, reverse logistics, packaging and labeling, factory and aftermarket support and inventory management contracts ranging from a few months to a few years. Our performance obligations are satisfied over time as customers receive and consume the benefits of our services. The contracts generally contain a single performance obligation as the distinct services provided remain substantially the same over time and possess the same pattern of transfer. The transaction price is based on the amount specified in the contract with the customer and contains fixed and variable components. In general, the fixed component of a contract represents reimbursement for facility and equipment costs incurred to satisfy the performance obligation and is recognized on a straight-line basis over the term of the contract. The variable component is comprised of cost reimbursement determined based on the costs incurred, while per-unit pricing is determined based on units provided, and time and materials pricing is determined based on the hours of services provided. The variable component is recognized based on the level of activity.

Generally, we can adjust our pricing based on contractual provisions related to achieving agreed-upon performance metrics, changes in volumes, services and market conditions. Revenue relating to these pricing adjustments is estimated and included in the consideration if it is probable that a significant revenue reversal will not occur in the future. The estimate of variable consideration is determined by the expected value or most likely amount method and factors in current, past and forecasted experience with the customer. Customers are billed based on terms specified in the revenue contract, and they pay us according to approved payment terms.

#### Contract Costs

In connection with setting up a customer warehouse, we incur incremental expenditures to fulfill the customer contract, such as designing the warehouse. These expenditures are capitalized to the extent they are recoverable from the expected margin in the contract and will help us satisfy future performance obligations. Conversely, costs which the company incurs as it delivers services and satisfies its performance obligations are expensed as incurred.

### Cash, Cash Equivalents and Restricted Cash

We consider all highly liquid investments with an original maturity of three months or less on the date of purchase to be cash equivalents. Treasury activities at XPO are generally centralized, while certain balances are managed locally, except as noted below. To the extent cash and cash equivalents are legally owned by GXO, they are reflected in the combined financial statements.

Our European subsidiaries use a centralized notional pooling approach to cash management and the financing of their operations. To the extent additional financing is required, XPO, including its affiliates, funds the European subsidiaries' operating and investing activities. This arrangement is not reflective of the manner in which the Company would have financed its operations had it been a standalone business separate from XPO during the periods presented. All cash management accounts and transactions are reflected in the Combined Balance Sheets as cash and cash equivalents and in the Combined Statements of Cash Flows as operating activities. For our European subsidiaries, none of the cash and cash equivalents or debt at the corporate level has been assigned to the Company in the Combined Financial Statements. Under the notional pooling arrangements, since there is no immediate contractual obligation for us to cover any negative cash positions of these pooling arrangements related to other members, including other XPO affiliates, no obligation or guarantee to cover any such negative cash positions has been included in the Combined Balance Sheets.

#### Accounts Receivable and Allowance for Doubtful Accounts

We record accounts receivable at the contractual amount, and we record an allowance for doubtful accounts for the amount we estimate we may not collect. In determining the allowance for doubtful accounts, we consider historical collection experience, the age of the accounts receivable balances, the credit quality and risk of our customers, any specific customer collection issues, current economic conditions, and other factors that may impact our customers' ability to pay. Commencing in 2020 and as discussed further below, we also consider reasonable and supportable forecasts of future economic conditions and their expected impact on customer collections in

determining our allowance for doubtful accounts. We write off accounts receivable balances once the receivables are no longer deemed collectible.				
		F-11		

The roll-forward of the allowance for doubtful accounts was as follows:

	Years Ended December 31,				
(In millions)		2020	2019	2018	
Beginning balance	\$	20 \$	11 \$	8	
Provision charged to expense		8	13	5	
Write-offs, less recoveries, and other adjustments		(10)	(4)	(2)	
Ending balance	\$	18 \$	20 \$	11	

#### Trade Receivables Securitization and Factoring Programs

We sell certain of our trade accounts receivable on a non-recourse basis to third-party financial institutions under factoring agreements. We account for these transactions as sales of receivables and present cash proceeds as cash provided by operating activities in the Combined Statements of Cash Flows. We also sell certain European trade accounts receivable under a securitization program described below. We use trade receivables securitization and factoring programs to help manage our cash flows and offset the impact of extended payment terms for some of our customers.

XPO Logistics Europe, one of our majority-owned subsidiaries, participates in a trade receivables securitization program coarranged by three European banks (the "Purchasers"). Under the program, a wholly-owned bankruptcy-remote special purpose entity of XPO Logistics Europe sells trade receivables that originate with wholly-owned subsidiaries of XPO Logistics Europe to unaffiliated entities managed by the Purchasers. The special purpose entity is a variable interest entity and has been presented within these combined financial statements based on our control of the entity's activities.

We account for transfers under our securitization and factoring arrangements as sales because we sell full title and ownership in the underlying receivables and control of the receivables is considered transferred. For these transfers, the receivables are removed from our Combined Balance Sheets at the date of transfer. In the securitization and factoring arrangements, our continuing involvement is limited to servicing the receivables. The fair value of any servicing assets and liabilities is immaterial. In addition to selling trade receivables which originate with GXO, the special purpose entity also purchases trade receivables from XPO and sells assets to the Purchasers. The trade receivables which have been purchased from XPO have been reflected within Other current assets in the Combined Balance Sheets, and the related cash flows have been reflected within Purchase and sale of affiliate trade receivables, net, within investing activities in the Combined Statements of Cash Flows. See Note 10—Debt for additional information related to our receivables securitization secured borrowing program and these borrowings.

Under a prior securitization program that was terminated in July 2019, we accounted for transfers as either sales or secured borrowings based on an evaluation of whether control has transferred. For the transfers that did not meet the criteria for surrender of control, the transaction was accounted for as a secured borrowing. These secured borrowings were repaid when the program was terminated. For transfers that were accounted for as sales, the consideration received included a simultaneous cash payment and a deferred purchase price receivable. The cash payment which we received on the date of the transfer was reflected within Net cash provided by operating activities on our Combined Statement of Cash Flows. As we received cash payments on the deferred purchase price receivable, it was reflected as an investing activity. The current program does not include a deferred purchase price mechanism.

Information related to the trade receivables sold was as follows:

		Years Ended December 31,				
(In millions)		2020		2019	2018	
Securitization programs	·					
Receivables sold in period	\$	1,491	\$	1,023 \$	146	
Cash consideration		1,491		943	113	
Deferred purchase price		_		80	33	
Factoring programs						
Receivables sold in period		612		794	612	
Cash consideration		611		790	609	

### Property and Equipment

We generally record property and equipment at cost, or in the case of acquired property and equipment, at fair value at the date of acquisition. Maintenance and repair expenditures are charged to expense as incurred. For internally-developed computer software, all costs incurred during planning and evaluation are expensed as incurred. Costs incurred during the application development stage are capitalized and included in property and equipment. Capitalized software also includes the fair value of acquired internally-developed technology.

We compute depreciation expense on a straight-line basis over the estimated useful lives of the assets as follows:

	Estimated Useful Life
Buildings and leasehold improvements	Term of lease to 40 years
Machinery, equipment and other	3 to 15 years
Computer software and equipment	1 to 6 years

#### Leases

We determine if an arrangement is a lease at inception. We recognize operating lease right-of-use assets and liabilities at the lease commencement date based on the estimated present value of the lease payments over the lease term. For most of our leases, the implicit rate cannot be readily determined and, as a result, we use the incremental borrowing rates of XPO based on the information available at commencement date to determine the present value of future lease payments. This rate is determined from a hypothetical yield curve that takes into consideration market yield levels of XPO's relevant debt outstanding as well as the index that matches XPO's credit rating, and then adjusts as if the borrowings were collateralized.

We include options to extend or terminate a lease in the lease term when we are reasonably certain to exercise such options. We exclude variable lease payments (such as payments based on an index or reimbursements of lessor costs) from our initial measurement of the lease liability. We recognize leases with an initial term of 12 months or less as lease expense over the lease term, and those leases are not recorded on our Combined Balance Sheets. We account for lease and non-lease components within a contract as a single lease component for our real estate leases. For additional information on our leases, see Note 7—Leases.

#### Segment Reporting

We evaluated segment reporting in accordance with Accounting Standards Codification ("ASC") 280-Segment Reporting. We
concluded that GXO is comprised of two operating segments based on the operating results regularly reviewed by the chief operating
decision maker ("CODM") to make decisions about resource allocation and the performance of the business. These two operating
segments have been aggregated into a single reporting segment.

#### Goodwill

We measure goodwill as the excess of consideration transferred over the fair value of net assets acquired in business combinations that were pushed down to GXO. We allocate goodwill to our reporting units for the purpose of impairment testing. We evaluate goodwill for impairment annually, or more frequently if an event or circumstance indicates an impairment loss may have been incurred. We measure goodwill impairment, if any, as the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill. We have two reporting units.

For our 2020 and 2019 goodwill assessments, we performed a quantitative analysis for both of our reporting units using a combination of income and market approaches, with the assistance of a third-party valuation specialist. As of August 31, 2020 and 2019, we completed our annual impairment tests for goodwill with both of our reporting units having fair values in excess of their carrying values, resulting in no impairment of goodwill.

The income approach of determining fair value is based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future cash flows and include an estimate of long-term future growth rates based on our most recent views of the long-term outlook for our business. The market approach of determining fair value is based on comparable market multiples for companies engaged in similar businesses, as well as recent transactions within our industry.

#### Intangible Assets

Our intangible assets subject to amortization consist of customer relationships. We review long-lived assets to be held-and-used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired if the sum of the undiscounted expected future cash flows over the remaining useful life of a long-lived asset group is less than its carrying amount. An impairment loss is measured as the amount by which the carrying amount of the asset group exceeds the fair value of the asset. We estimate fair value using the expected future cash flows discounted at a rate consistent with the risks associated with the recovery of the asset. We amortize intangible assets on a straight-line basis or on a basis consistent with the pattern in which the economic benefits are realized. The estimated useful life for customer relationships ranges from 5 to 15 years.

### Other Long-Term Assets

Other long-term assets include contract assets, primarily comprised of deferred contract-related costs, deposits, miscellaneous long-term receivable balances and other deferred assets.

#### Accrued Expenses

The components of accrued expenses as of December 31, 2020 and 2019 are as follows:

	As of December 31,			
(In millions)	2020		2019	
Accrued salaries and wages	\$	317	\$	252
Accrued transportation and facility charges		259		218
Accrued value-added tax and other taxes		141		87
Other accrued expenses		67		52
Total accrued expenses	\$	784	\$	609

Contract	I ia	hilitias
Camiraca		DITTES

Contract liabilities represents our obligation to transfer services to a customer for which we have received consideration, or the amount is due, from the customer. Contract liabilities are included in other current liabilities on our Combined Balance Sheets.

### Self-Insurance

We participate in a combination of self-insurance programs and purchased insurance that are managed by XPO to provide for the costs of medical, casualty, liability, vehicular, cargo and workers' compensation claims. XPO periodically evaluates our level of insurance coverage and adjusts our insurance levels based on risk tolerance and premium expense.

Liabilities for the risks we retain, including estimates of claims incurred but not reported, are not discounted and are estimated, in part, by considering historical cost experience, demographic and severity factors, and judgments about current and expected levels of cost per claim and retention levels. Changes in these assumptions and factors can impact actual costs paid to settle the claims and those amounts may be different than estimates.

### **Advertising Costs**

Advertising costs are expensed as incurred.

### Accumulated Other Comprehensive Income (Loss)

The components of and changes in accumulated other comprehensive income (loss) ("AOCI"), net of tax for the years ended December 31, 2020 and 2019, are as follows:

					Less: AOCI					
	Fo	reign Currency						Attributable to		
		Translation				<b>Defined Benefit</b>		Noncontrolling	A(	OCI Attributable
(In millions)		Adjustments	De	erivative Hedges		Plans Liability		Interests		to GXO
As of December 31, 2018	\$	(55)	\$	(2)	\$	(3)	\$	8	\$	(52)
Other comprehensive income (loss)		(13)		_		1		(2)		(14)
As of December 31, 2019		(68)		(2)		(2)		6		(66)
Other comprehensive income (loss)		129		2		1		(8)		124
As of December 31, 2020	\$	61	\$	_	\$	(1)	\$	(2)	\$	58

#### Income Taxes

During the periods presented in the Combined Financial Statements, the operations of the Company were included in the consolidated U.S. federal and certain state and local and foreign income tax returns filed by XPO, where applicable. Income tax expense and other income tax related information contained in the Combined Financial Statements are presented on a separate return basis as if the Company had filed its own tax returns. As a result, actual tax transactions included in the consolidated financial statements of XPO may not be included in the combined financial statements. Similarly, the tax treatment of certain items reflected in the combined financial statements may not be reflected in the consolidated financial statements and tax returns of XPO. Therefore, portions of items such as net operating losses ("NOLs"), credit carryforwards, other deferred taxes, and valuation allowances may exist in the combined financial statements that may or may not exist in XPO's consolidated financial statements and vice versa. In addition, although deferred tax assets have been recognized for NOLs and tax credits in accordance with the separate return method, certain NOLs and credits will not carry over with the Company in connection with the Distribution. The income taxes of the Company as presented in the Combined Financial Statements may not be indicative of the income taxes that the Company will incur in the future. In jurisdictions where the Company has been included in tax returns filed by XPO, any income tax receivables or payables resulting from the related income tax provisions have been reflected in the Combined Balance Sheets within XPO investment.

We adopted the separate return approach for the purpose of presenting the Combined Financial Statements, including the income tax provisions (benefits) and the related deferred tax assets and liabilities. The historic operations of the Company reflect a separate return approach for each jurisdiction in which the Company had a presence and XPO filed a tax return.

We account for income taxes using the asset and liability method on a legal entity and jurisdictional basis, under which we recognize the amount of taxes payable or refundable for the current year and deferred tax assets and

liabilities for the future tax consequences of events that have been recognized in our financial statements or tax returns. Our calculation relies on several factors, including pre-tax earnings, differences between tax laws and accounting rules, statutory tax rates, tax credits, uncertain tax positions, and valuation allowances. We use judgment and estimates in evaluating our tax positions. Valuation allowances are established when, in our judgment, it is more likely than not that our deferred tax assets will not be realized based on all available evidence. We record Global Intangible Low-Taxed Income ("GILTI") tax as a period cost. We recognize tax benefits from uncertain tax positions only if (based on the technical merits of the position) it is more likely than not that the tax positions will be sustained on examination by the tax authority. We adjust these tax liabilities, including related interest and penalties, based on the current facts and circumstances. We report tax-related interest and penalties as a component of income tax expense.

#### Foreign Currency Translation and Transactions

The assets and liabilities of our foreign subsidiaries that use their local currency as their functional currency are translated to U.S. dollars ("USD") using the exchange rate prevailing at each balance sheet date, with balance sheet currency translation adjustments recorded in AOCI on our Combined Balance Sheets. The assets and liabilities of our foreign subsidiaries whose local currency is not their functional currency are remeasured from their local currency to their functional currency and then translated to USD. The results of operations of our foreign subsidiaries are translated to USD using average exchange rates prevailing for each period presented.

We convert foreign currency transactions recognized on our Combined Statements of Operations to USD by applying the exchange rate prevailing on the date of the transaction. Gains and losses arising from foreign currency transactions and the effects of remeasuring monetary assets and liabilities are recorded in Other income in our Combined Statements of Operations and were not material for any of the periods presented.

We use a loan designated as a net investment hedge to hedge our exposure to foreign exchange risk on our investments in foreign subsidiaries. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as OCI while any gains or losses relating to the ineffective portion are recognized in the Statements of Operations. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the Statements of Operations.

#### Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The levels of inputs used to measure fair value are:

- Level 1—Quoted prices for identical instruments in active markets;
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets; and
- Level 3—Valuations based on inputs that are unobservable, generally utilizing pricing models or other valuation techniques
  that reflect management's judgment and estimates.

We base our fair value estimates on market assumptions and available information. The carrying values of cash and cash equivalents, accounts receivable, financial assets purchased from XPO, accounts payable, accrued expenses and current maturities of long-term debt approximated their fair values as of December 31, 2020 and 2019 due to their short-term nature and/or being receivable or payable on demand. The Level 1 cash equivalents include money market funds valued using quoted prices in active markets.

The fair value of cash equivalents approximates its carrying value and amounted to \$54 million and \$25 million, respectively, for the years ended December 31, 2020 and 2019. The cash equivalents are classified as Level 1 within the fair value hierarchy.

### Stock-Based Compensation

XPO's compensation programs include grants of stock-based compensation awards to directors, officers and key employees under XPO's share-based payment programs. These awards include stock options, restricted stock units, performance-based units, cash incentive awards and other equity-related awards. Our Combined Statements of Operations include all of the share-based payment expenses directly attributable to GXO, as well as an allocation of any related XPO Corporate costs. Our stock-based compensation expense is recorded in SG&A on our Combined Statements of Operations and is not material for the years ending December 31, 2020, 2019 and 2018.

We account for stock-based compensation based on the equity instrument's grant date fair value. For grants of restricted stock units ("RSUs") subject to service-based or performance-based vesting conditions only, we establish the fair value based on the market price of XPO's stock on the date of the grant. For grants of RSUs subject to market-based vesting conditions, the fair value is established using the Monte Carlo simulation lattice model.

We recognize the grant date fair value of equity awards as compensation cost over the requisite service period. We recognize expense for our performance-based restricted stock units ("PRSUs") over the awards' requisite service period based on the number of awards expected to vest with consideration to the actual and expected financial results. We do not recognize expense until achievement of the performance targets for a PRSU award is considered probable.

#### Related-Party Transactions

Transactions between the Company and XPO and other subsidiaries, are deemed related-party transactions. Related-party transactions are comprised of the following: (i) those that have been effectively settled or are expected to be settled for cash, and (ii) those which have historically not been settled and which have or are expected to be forgiven by either party. For those that have been or are expected to be cash settled, we have recorded related-party receivables (assets) or payables (liabilities) in the Combined Balance Sheets as of December 31, 2020 and 2019. For those that have been or are expected to be forgiven, the amounts have been recorded as an adjustment of XPO Investment in the Combined Balance Sheets as of December 31, 2020 and 2019.

### Adoption of New Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The ASU, as subsequently modified, amends the incurred losses impairment method with a method that reflects expected credit losses on certain types of financial instruments, including trade receivables. We adopted this standard on January 1, 2020. The adoption did not have a material effect on our combined financial statements.

In August 2018, the FASB issued ASU 2018-15, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." The ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. Under the guidance, any capitalized implementation costs would be included in prepaid expenses, amortized over the term of the hosting arrangement on a straight-line basis and presented in the same line items in the Combined Statements of Operations as the expense for fees of the associated hosting arrangements. We adopted this standard on January 1, 2020 on a prospective basis. The adoption did not have a material effect on our combined financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)". The core principle of ASU 2016-02 is that a lessee should recognize on its Combined Balance Sheets the assets and liabilities that arise from leases, including operating leases. Under the new

requirements, a lessee recognizes on the balance sheet the right-of-use asset representing the right to use the underlying asset and the
lease liability representing the present value of future lease payments. We utilized a comprehensive approach to assess the impact of
ASU 2016-02 on our financial statements and related disclosures. In particular, we completed a robust review of our lease portfolio and
enhanced our internal controls, including those related to the identification, monitoring of, measurement and disclosure of our

lease portfolio. For additional information on our leases, see Note 7—Leases. We adopted ASU 2016-02 and its related amendments (Topic 842) on January 1, 2019.

#### Accounting Pronouncements Issued but Not Yet Effective

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." The ASU is intended to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The ASU also clarifies and amends existing guidance to enhance consistency and comparability among reporting entities. We adopted this standard on January 1, 2021 on a prospective basis. The adoption did not have a material effect on our combined financial statements.

In March 2020, the FASB issued ASU 2020-04, "Reference rate reform (Topic 848): Facilitation of the effects of reference rate reform on financial reporting." The ASU provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform. The amendments apply only to contracts and hedging relationships that reference London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued due to reference rate reform. The amendments are elective and are effective upon issuance through December 31, 2022. We are currently evaluating the impact of the new guidance.

### 3. Purchases of Noncontrolling Interest

In the third quarter of 2020 and fourth quarter of 2019, we purchased shareholders' noncontrolling interests in XPO Logistics Europe for €17 million (approximately \$21 million) and €234 million (approximately \$258 million), respectively. The portion of the purchased noncontrolling interest which is not attributable to GXO has been recorded as a transfer to the XPO investment account.

#### 4. Revenue Recognition

Disaggregation of Revenues

We disaggregate our revenue by geographic area. Our revenue disaggregated by geographical area, based on sales office location, was as follows:

	Years Ended December 31,						
(In millions)	2020		2019	2018			
Revenue							
United States	\$	2,221 \$	2,338	\$ 2,195			
United Kingdom		1,526	1,385	1,437			
France		643	652	687			
Europe (excluding France and United Kingdom)		1,654	1,582	1,585			
Other		151	137	161			
Total	\$	6,195 \$	6,094	\$ 6,065			

Our revenue by industry sector was approximately as follows: e-commerce/retail (39%, 37% and 37% for 2020, 2019 and 2018, respectively); food and beverage (13%, 15% and 15% for 2020, 2019 and 2018, respectively); consumer packaged goods (13%, 12% and 12% for 2020, 2019 and 2018, respectively); consumer technology (11% for 2020, 2019 and 2018, respectively); and other (24%, 25% and 25% for 2020, 2019 and 2018, respectively).

#### Contract Liabilities

Our contract liabilities activity was as follows:

(In millions)

1	 
Balance as of December 31, 2018	\$ 63
Revenue recognized	(56)
Unearned revenue and other	 65
Balance as of December 31, 2019	72
Revenue recognized	(86)
Unearned revenue and other	 111
Balance as of December 31, 2020	\$ 97

#### **Performance Obligations**

Remaining performance obligations relate to firm customer contracts for which services have not been performed and future revenue recognition is expected. As permitted in determining the remaining performance obligation, we omit obligations that (i) have original expected durations of one year or less or (ii) contain variable consideration. On December 31, 2020, the fixed consideration component of our remaining performance obligation was approximately \$1.5 billion, and we expect to recognize approximately 75% of that amount over the next three years and the remainder thereafter. We estimate remaining performance obligations at a point in time and actual amounts may differ from these estimates due to changes in foreign currency exchange rates and contract revisions or terminations.

#### 5. Restructuring Charges

We engage in restructuring actions as part of our ongoing efforts to best use our resources and infrastructure, including actions in response to COVID-19. These actions generally include severance and facility-related costs, including impairment of operating lease assets, and are intended to improve our efficiency and profitability.

Our severance related activity was as follows:

Balance as of December 31, 2018	\$	5
Charges incurred		15
Payments		(8)
Foreign exchange and other	_	(1)
Balance as of December 31, 2019	\$	11
Charges incurred		29
Payments		(16)
Foreign exchange and other	_	(4)
Balance as of December 31, 2020	\$	20

We expect the majority of the cash outlays related to the charges incurred in 2020 will be complete within twelve months. The majority of the cash outlays related to the charges incurred in 2019 were substantially complete by the end of 2020.

## 6. Property and Equipment

The following table summarizes our property and equipment:

	December 31,						
(In millions)		2020		2019			
Property and equipment							
Land	\$	6	\$	5			
Buildings and leasehold improvements		273		270			
Machinery, equipment and other		914		749			
Computer software and equipment		499		403			
		1,692		1,427			
Less: accumulated depreciation and amortization		(922)		(685)			
Total property and equipment, net	\$	770	\$	742			
Net book value of capitalized internally-developed software included in property and							
equipment, net	\$	84	\$	92			

Depreciation of property and equipment and amortization of computer software was \$262 million, \$236 million and \$190 million for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020 and 2019, we held long-lived tangible assets outside of the U.S. of \$359 million and \$336 million, respectively.

#### 7. Leases

## Adoption of Topic 842, "Leases"

On January 1, 2019, we adopted Topic 842 prospectively through a cumulative-effect adjustment with no restatement of prior period financial statements. Beginning in 2019, net operating lease activity, including the reduction of the operating lease asset and the accretion of the operating lease liability, are reflected in Depreciation, amortization and net lease activity on our Combined Statements of Cash Flows. The adoption of Topic 842 did not have a material impact on our Combined Statements of Operations and our Combined Statements of Cash Flows.

## Nature of Leases

Most of our leases are real estate leases. In addition, we lease trucks, trailers, containers and material handling equipment. The components of our lease expense were as follows:

		Years Ended December 31,						
(In millions)		2020						
Operating leases:								
Operating lease cost	\$	532	\$	500				
Short-term lease cost		55		57				
Variable lease cost		65		65				
Total lease cost	\$	652	\$	622				
Finance leases:								
Amortization of leased assets	\$	24	\$	12				
Interest on lease liabilities		4		2				
Total lease cost	\$	28	\$	14				
Total operating and finance lease cost	\$	680	\$	636				

Supplemental balance sheet information related to leases was as follows:

	 December 31,						
(In millions)	2020	2019					
Operating leases:							
Operating lease assets	\$ 1,434	\$	1,458				
Short-term operating lease liabilities	\$ 332	\$	336				
Operating lease liabilities	 1,099		1,124				
Total operating lease liabilities	\$ 1,431	\$	1,460				
Finance leases:							
Property and equipment, gross	\$ 199	\$	128				
Accumulated depreciation	 (49)		(27)				
Property and equipment, net	\$ 150	\$	101				
Short-term borrowings and current maturities of long-term debt	\$ 31	\$	11				
Long-term debt	 127		84				
Total finance lease liabilities	\$ 158	\$	95				
Weighted-average remaining lease term							
Operating leases	5.7 years		5.7 years				
Finance leases	11.4 years		11.0 years				
Weighted-average discount rate							
Operating leases	4.4 %		4.7 %				
Finance leases	4.6 %		5.3 %				

Supplemental cash flow information related to leases was as follows:

	Years Ended December 31,						
(In millions)		2020	2019				
Cash paid for amounts included in the measurement of lease liabilities:							
Operating cash flows for operating leases	\$	556 \$	505				
Operating cash flows for finance leases		4	2				
Financing cash flows for finance leases		17	11				
Leased assets obtained in exchange for new lease obligations:							
Operating leases		392	478				
Finance leases		38	51				

cash investing activities for the year ended December 31, 2019 included \$39 million of property and equipment additions for build-to-suit leases.										
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Property and equipment acquired through capital leases was \$38 million for the year ended December 31, 2018. Additionally, non-

Maturities of lease liabilities as of December 31, 2020 were as follows:

(In millions)	Finan	ce Leases	Operating Leases	
2021	\$	34	\$	381
2022		33		339
2023		28		266
2024		21		190
2025		15		143
Thereafter		75		313
Total lease payments	\$	206	\$	1,632
Less: interest		(48)		(201)
Present value of lease liabilities	\$	158	\$	1,431

As of December 31, 2020, we had additional operating leases that have not yet commenced with future undiscounted lease payments of \$143 million. These operating leases will commence in 2021 through 2022 with initial lease terms of 2 years to 10 years.

Rent expense was \$566 million for the year ended December 31, 2018.

## 8. Goodwill

(In millions)

Goodwill as of December 31, 2018	\$	1,989
Impact of foreign exchange translation	_	(5)
Goodwill as of December 31, 2019		1,984
Impact of foreign exchange translation	_	79
Goodwill as of December 31, 2020	\$	2,063

There are no cumulative goodwill impairments as of December 31, 2020.

## 9. Intangible Assets

The following table summarizes our identifiable intangible assets:

	 Decembe	2020	December 31, 2019					
(In millions)	ss Carrying Amount		Accumulated Amortization	Gross Carrying  Amount			Accumulated Amortization	
Definite-lived intangible assets								
Customer relationships	\$ 672	\$	373	\$	645	\$	302	

We did not recognize any impairment of our identified intangible assets in 2020, 2019 and 2018.

Estimated future amortization expense for amortizable intangible assets for the next five years and thereafter is as follows:

(In millions)	2021	2022	2023		2023 2024		2025		Thereafter	
Estimated amortization expense	\$ 54	\$ 49	\$	42	\$	39	\$	36	\$	79

Actual amounts of amortization expense may differ from forecasted amounts due to changes in foreign currency exchange rates, additional intangible asset acquisitions, future impairment of intangible assets, accelerated amortization of intangible assets and other events.

Intangible asset amortization expense was \$61 million, \$65 million and \$71 million for the years ended December 31, 2020, 2019 and 2018, respectively.

### 10. Debt

The following table summarizes our debt:

	December 31, 2020					December 31, 2019			
	Principal					Principal			
(In millions)	Balance Carry		arrying Value	arrying Value Balance		Carryir	g Value		
Borrowings related to current trade securitization program	\$	26	\$	26	\$	_	\$	_	
Finance leases and other		161		161		117		117	
Related-party debt		486		486		556		556	
Total debt		673		673		673		673	
Short-term borrowings and current finance lease liabilities		58		58		31		31	
Long-term debt	\$	615	\$	615	\$	642	\$	642	

The fair value of our debt and classification in the fair value hierarchy was as follows:

(In millions)	Fair Va	lue	Level 1		Level 2	Level 3	
December 31, 2020	\$	673	\$	2 \$	185	\$	486
December 31, 2019		673		3	114		556

We valued Level 1 debt using quoted prices in active markets. We valued Level 2 debt using bid evaluation pricing models or quoted prices of securities with similar characteristics. We valued Level 3 debt using non-observable inputs.

Our principal payment obligations on debt (excluding finance leases) for the next five years and thereafter were as follows:

(In millions)	2021		2022	2022 2023			2024	2025		Thereafter	
Principal payments on debt	\$	26	\$	1 \$		1 \$	351	\$		\$	136

### Trade Securitization Program

As discussed in Note 2—Basis of Presentation and Significant Accounting Policies, XPO Logistics Europe participates in a trade receivables securitization program. Under the program, a wholly-owned bankruptcy-remote special purpose entity of XPO Logistics Europe sells trade receivables that originate with wholly-owned subsidiaries of XPO Logistics Europe to unaffiliated entities managed by the Purchasers. The special purpose entity is a variable interest entity and is combined by GXO based on our control of the entity's activities. The program will expire in July 2022 and contains financial covenants customary for this type of arrangement, including maintaining a defined average days sales outstanding ratio. In 2019, XPO Logistics Europe terminated a prior trade receivables securitization program and paid off the notes associated with that program, which had been included in our debt balances.

Our current trade receivables securitization program permits us to borrow, on an unsecured basis, cash collected in a servicing capacity on previously sold receivables. These borrowings are owed to the program's Purchasers and are included in short-term debt until they are repaid in the following month's settlement. These borrowings amounted to €21 million (\$26 million) as of December 31, 2020.

The maximum amount of net cash proceeds available at any one time under the current program, inclusive of any unsecured borrowings, is €400 million (approximately \$489 million as of December 31, 2020). As of December 31, 2020, €75 million (approximately \$92 million) was available under the program, subject to having sufficient receivables available to sell to the Purchasers. The weighted average interest rate was 0.62% as of December 31, 2020. Charges for commitment fees, which are based on a percentage of available amounts, and charges for administrative fees were not material to our results of operations for the years ended December 31, 2020, 2019 and 2018.

## Long-Term Related-Party Debt

Loan Agreement with North American Subsidiary

In 2015, XPO entered into a loan agreement with a North American subsidiary of GXO, under which XPO granted the subsidiary an unsecured loan bearing interest at a rate of 5.625% with a principal amount not exceeding \$391 million and maturing in June 2024. As of December 31, 2020 and 2019, the Company had an outstanding loan payable to XPO of \$186 million and \$230 million, respectively. The notes are guaranteed by an XPO affiliate.

Loan Agreements with European Subsidiaries

Additionally, XPO entered into several loan agreements with European subsidiaries of GXO, under which XPO granted the subsidiaries unsecured loans with principal amounts of:

- €20 million (approximately \$24 million as of December 31, 2020) entered in 2013 bearing interest at a variable rate of twelvemonth Euribor plus 1% and maturing in October 2026;
- £82 million (approximately \$111 million as of December 31, 2020) entered in 2016 bearing interest at a variable rate of twelvemonth Libor plus 1% and maturing in October 2026; and
- 22 PLN million entered in 2018 bearing interest at a fixed rate of 5.625% and maturing in April 2023.

As of December 31, 2020 and 2019, the outstanding amounts related to these loans payable to XPO were \$135 million and \$136 million, respectively.

Additionally, in 2015, XPO entered into a loan agreement under which it granted XPO Logistics Europe a loan in the amount of €335 million, bearing interest at a fixed rate of 5.625% and maturing in June 2024. The loan payable was \$165 million and \$189 million at December 31, 2020 and 2019, respectively.

### 11. Employee Benefit Plans

### **Defined Benefit Pension Plans**

XPO sponsors both funded and unfunded defined benefit pension plans in which GXO's U.S. subsidiaries are one of a number of companies that participate. These pension plans include qualified plans that are eligible for beneficial treatment under the Internal Revenue Code and non-qualified plans that provide additional benefits for employees who are impacted by limitations on compensation eligible for benefits available under the qualified plans. XPO also sponsors a defined benefit pension plan for some of our employees in the United Kingdom. Both the U.S. plans and the U.K. plan do not allow for new plan participants or additional benefit accruals. XPO also maintains defined benefit pension plans for some of our foreign subsidiaries that are immaterial for disclosure purposes.

The U.S. plans and the U.K. plan are accounted for as multi-employer benefits plans in these combined financial statements, and the Combined Balance Sheets do not reflect any assets or liabilities related to these plans. Required funding has been made by XPO. Net periodic benefit income related to these plans is not material for the years ended December 31, 2020, 2019 and 2018.

Certain current and former employees of European subsidiaries of GXO participate in a defined benefit plan sponsored by a related-party. Historical contributions to the plan sponsor to cover administrative expenses have been immaterial. These combined financial statements do not reflect any pension income or expense from this plan as historically there have been no distributions to or contributions by our European subsidiaries.

## **Defined Contribution Retirement Plans**

XPO additionally sponsors qualified defined contribution plans, in which GXO is one of a number of companies that participate. Contributions for employees of GXO for the years ended December 31, 2020, 2019, and 2018 were \$14 million, \$14 million, and \$12 million, respectively. The majority of the expense is recorded in Direct operating expense in the Combined Statements of Operations.
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### Postretirement Medical Plan

XPO also sponsors a postretirement medical plan that provides health benefits to certain employees who are at least 55 years of age with at least 10 years of service (the "Postretirement Plan"). The Postretirement Plan does not provide employer-subsidized retiree medical benefits for employees hired on or after January 1, 1993. Our costs related to this plan were not material for the years ended December 31, 2020, 2019 and 2018.

## 12. Income Taxes

The tax provisions have been prepared on a separate return basis as if GXO was a separate group of companies under common ownership. The operations have been combined as if GXO was filing on a combined basis for U.S. federal, U.S. state and non-U.S. income tax purposes, where allowable by law. GXO is subject to regulation under a wide variety of U.S. federal, U.S. state and non-U.S. tax laws, regulations and policies. Additionally, our European subsidiaries are subject to regulation under a wide variety of European tax laws, regulations and policies. Changes to these laws or regulations may affect our tax liability, return on investments and business operations.

Income (loss) before taxes related to our U.S. and foreign operations was as follows:

	Years Ended December 31,					
(In millions)		2020		2019		2018
U.S.	\$	(82)	\$	16	\$	33
Foreign		76		102		93
Income (loss) before income tax provision	\$	(6)	\$	118	\$	126

The income tax provision (benefit) is comprised of the following:

Years Ended December 31,					
	2020	2019		2018	
\$	(2)	\$ 2	\$	(4)	
	(1)	1		(1)	
	45	36		37	
\$	42	\$ 39	\$	32	
·					
\$	(16)	\$ 2	\$	7	
	(5)	(4)		5	
	(5)			(8)	
\$	(26)	\$ (2)	\$	4	
\$	16	\$ 37	\$	36	
	\$	\$ (2) (1) 45 \$ 42 \$ (16) (5) (5) \$ (26)	\$ (2) \$ 2 (1) 1 45 36 \$ 42 \$ 39  \$ (16) \$ 2 (5) (4) (5) — \$ (26) \$ (2)	\$ (2) \$ 2 \$ (1) 1	

The tax expense reconciliations were as follows:

	Years Ended December 31,				
	20	20	2019	2018	
Tax expense at U.S. federal statutory tax rate	\$	(1) \$	25 \$	27	
State taxes, net of U.S. federal benefit		(5)	(2)	3	
Foreign rate differential		(3)	(1)	_	
Foreign operations <sup>(1)</sup>		20	10	11	
Contribution- and margin-based taxes		6	6	6	
Valuation allowances			_	(4)	
Changes in uncertain tax positions		1	_	(3)	
Stock-based compensation		1	_	1	
Other		(3)	(1)	(5)	
Total income tax provision	\$	16 \$	37 \$	36	

<sup>(1)</sup> Foreign operations include the net impact of changes to valuation allowances, the cost of inclusion of foreign income in the U.S. net of foreign taxes, and permanent items related to foreign operations.

## Components of the Net Deferred Tax Asset or Liability

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset and deferred tax liability were as follows:

(In millions)	 2020	2019
Deferred tax asset	 	
Net operating loss and other tax attribute carryforwards	\$ 126 \$	106
Accrued expenses	20	5
Pension and other retirement obligations	7	10
Other	2	11
Total deferred tax asset	155	132
Valuation allowances	(73)	(56)
Total deferred tax asset, net	82	76
Deferred tax liability		
Intangible assets	(89)	(97)
Property and equipment	(42)	(54)
Other	(5)	(6)
Total deferred tax liability	(136)	(157)
Net deferred tax liability	\$ (54) \$	(81)

Years Ended December 31,

The deferred tax asset and deferred tax liability above are reflected on our Combined Balance Sheets as follows:

	Dec	December 31,				
(In millions)	2020	2019				
Other long-term assets	\$ -	- \$ 4				
Deferred tax liability	(5	4) (85)				
Net deferred tax liability	\$ (5)	4) \$ (81)				

## Investments in Foreign Subsidiaries

As a result of the Tax Cuts and Jobs Act, the Company has decided to apply a partial indefinite reversal assertion to pre-2018 earnings and profits that have been invested back into the foreign businesses. The Company has also decided not to apply an indefinite reversal assertion on all 2018 and future years' earnings and profits.

## Operating Loss and Tax Credit Carryforwards

Our operating loss and tax credit carryforwards were as follows:

		nber 31,	
(In millions)	Expiration Date	2020	2019
Federal net operating losses for all U.S. operations (including those of minority owned subsidiaries)	2033 - 2037 <sup>(1)</sup>	\$ 154	\$ 120
Tax effect (before federal benefit) of state net operating losses	Various times starting in 2021 <sup>(1)</sup>	2	_
Federal tax credit carryforwards	Various times starting in 2037 <sup>(1)</sup>	1	1
State tax credit carryforward	Various times starting in 2021 <sup>(1)</sup>	7	6
Foreign net operating losses available to offset future taxable income	Various times starting in 2021 <sup>(1)</sup>	346	327

<sup>(1)</sup> Some credits and losses have unlimited carryforward periods.

## Valuation Allowances

We established valuation allowances for some of our deferred tax assets, as it is more likely than not that these assets will not be realized in the foreseeable future. We concluded that the remaining deferred tax assets will more likely than not be realized, though this is not assured, and as such no valuation allowances have been provided on these assets.

The balances and activity related to our valuation allowances were as follows:

(In millions)	Beginning Balance	Additions	Reductions	<b>Ending Balance</b>
2020	\$ 56	\$ 17	<u> </u>	\$ 73
2019	45	11	_	56
2018	40	5	_	45

## **Unrecognized Tax Benefits**

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

<b>X</b> 7		n 1	21
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(In millions)	 2020	2019	2018
Beginning balance	\$ 3	\$ 3	\$ 6
Additions for tax positions of prior years	1	_	_
Reductions for tax positions of prior years	_	_	(3)
Reductions due to the statute of limitations	 (1)		
Ending balance	3	3	3
Interest and penalties	1	1	1
Gross unrecognized tax benefits	\$ 4	\$ 4	\$ 4
Total unrecognized tax benefits that, if recognized, would impact the effective income tax rate as of the end of the year	\$ 3	\$ 3	\$ 3

We could reflect a reduction to unrecognized tax benefits of \$3 million over the next 12 months due to the statute of limitations lapsing on positions or because tax positions are sustained on audit.

We are subject to taxation in the United States and various states and foreign jurisdictions. As of December 31, 2020, we have no tax years under examination by the IRS. We have various U.S. state and local examinations and non-U.S. examinations in process. The U.S. federal tax returns after 2008, state and local returns after 2012, and non-U.S. returns after 2009 are open under relevant statutes of limitations and are subject to audit.

### 13. Commitments and Contingencies

We are involved, and will continue to be involved, in numerous proceedings arising out of the conduct of our business. These proceedings may include personal injury claims arising from the transportation and handling of goods, contractual disputes and employment-related claims, including alleged violations of wage and hour laws.

We establish accruals for specific legal proceedings when it is considered probable that a loss has been incurred and the amount of the loss can be reasonably estimated. We review and adjust accruals for loss contingencies quarterly and as additional information becomes available. If a loss is not both probable and reasonably estimable, or if an exposure to loss exists in excess of the amount accrued, we assess whether there is at least a reasonable possibility that a loss, or additional loss, may have been incurred. If there is a reasonable possibility that a loss, or additional loss, may have been incurred, we disclose the estimate of the possible loss or range of loss if it is material and an estimate can be made, or disclose that such an estimate cannot be made. The determination as to whether a loss can reasonably be considered to be possible or probable is based on our assessment, together with legal counsel, regarding the ultimate outcome of the matter.

We believe that we have adequately accrued for the potential impact of loss contingencies that are probable and reasonably estimable. We do not believe that the ultimate resolution of any matters to which we are presently a party will have a material adverse effect on our results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on our financial condition, results of operations or cash flows. Legal costs incurred related to these matters are expensed as incurred.

XPO carries liability and excess umbrella insurance policies that are deemed sufficient to cover potential legal claims arising in the normal course of conducting our operations as a logistics company. In the event we are required to satisfy a legal claim outside the scope of the coverage provided by insurance, our financial condition, results of operations or cash flows could be negatively impacted.

### 14. Related-Party Transactions

Transactions between the Company and XPO, and other non-GXO subsidiaries, are deemed related-party transactions.

### Allocation of General Corporate Expenses

The Combined Statements of Operations include expenses for certain centralized functions and other programs provided and/or administered by XPO that are charged directly to the Company. In addition, for purposes of preparing these Combined Financial Statements, a portion of XPO's total corporate expenses have been allocated to the Company. See Note 2 for a discussion of the methodology used to allocate corporate-related costs for purposes of preparing these combined financial statements.

Costs of \$223 million, \$166 million and \$129 million for the years ended December 31, 2020, 2019 and 2018, respectively, have been reflected in SG&A and Other income in our Combined Statements of Operations for our allocated share of XPO's corporate overhead.

## Transactions with XPO and its non-GXO Subsidiaries

Revenue and costs generated from related parties for each of the three years ended December 31 were as follows:

		Y	ears Ended December	31,
(In millions)		2020	2019	2018
Revenue	\$	7	\$ 10	\$ 10
Costs		115	148	123

Current assets includes trade receivables purchased from XPO in connection with our trade receivables securitization program of \$105 million and \$65 million as of December 31, 2020 and 2019, respectively. These receivables were originated by XPO and are classified as financial assets within other current assets on the combined balance sheets.

### Balances with XPO and its non-GXO Subsidiaries

Assets and liabilities on the Combined Balance Sheets include the following related-party amounts that are expected to be cash settled as of December 31, 2020 and 2019:

	Years Ended December 31,		
(In millions)	2020	2019	
Amounts due from XPO and its affiliates			
Trade receivables <sup>(1)</sup>	\$ 9	\$ 11	
Other current assets <sup>(2)</sup>	2	2	
Other long-term assets <sup>(3)</sup>	53	53	
Amounts due to XPO and its affiliates			
Trade payables <sup>(4)</sup>	20	27	
Other current liabilities <sup>(5)</sup>	11	11	
Accrued expenses <sup>(6)</sup>	2	2	
Loans payable <sup>(7)</sup>	486	556	

- (1) Represents trade receivables generated from revenue with XPO.
- (2) Primarily relates to interest receivable from loans receivable from XPO.
- (3) Represents loans receivable from XPO.
- (4) Represents trade payables due to XPO.
- (5) Primarily relates to facility expense and taxes payable due to XPO.
- (6) Represents accrued interest on loans due to XPO.
- (7) Represents loans due to XPO. See Note 10 for further information.

### 15. Subsequent Events

## Acquisition

In January 2021, XPO Logistics Europe acquired the majority of Kuehne + Nagel's contract logistics operations in the United Kingdom and Ireland, which generated annual revenues in 2020 of approximately £450 million (\$585 million). The operations provide a range of logistics services, including inbound and outbound distribution, reverse logistics management and inventory management.					
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## **Condensed Combined Balance Sheets**

(Unaudited)

		March 31,		December 31, 2020		
In millions)						
ASSETS						
Current assets						
Cash and cash equivalents	\$	414	\$	328		
Accounts receivable, net of allowances of \$12 and \$18, respectively		1,293		1,224		
Other current assets		327		284		
Total current assets		2,034		1,836		
Long-term assets						
Property and equipment, net of \$962 and \$922 in accumulated depreciation, respectively		815		770		
Operating lease assets		1,733		1,434		
Goodwill		2,048		2,063		
Identifiable intangible assets, net of \$382 and \$373 in accumulated amortization,						
respectively		307		299		
Other long-term assets		183		146		
Total long-term assets		5,086		4,712		
Total assets	\$	7,120	\$	6,548		
LIABILITIES AND EQUITY						
Current liabilities						
Accounts payable	\$	480	\$	415		
Accrued expenses		877		784		
Short-term borrowings and current finance lease liabilities		32		58		
Short-term operating lease liabilities		379		332		
Other current liabilities		126		149		
Total current liabilities		1,894		1,738		
Long-term liabilities						
Long-term debt and finance lease liabilities		586		615		
Deferred tax liability		65		54		
Long-term operating lease liabilities		1,367		1,099		
Other long-term liabilities		165		94		
Total long-term liabilities		2,183		1,862		
Equity						
XPO investment		2,903		2,765		
Accumulated other comprehensive income		16		58		
Total equity before noncontrolling interests		2,919		2,823		
Noncontrolling interests		124		125		
Total equity		3,043		2,948		

## **Condensed Combined Statements of Operations**

## (Unaudited)

Three Months Ended March 31, (In millions) 2021 2020 \$ 1,822 \$ Revenue 1,440 Direct operating expense 1,520 1,203 Sales, general and administrative expense 142 171 Depreciation and amortization expense 79 76 Transaction and integration costs 18 17 Restructuring costs 4 30 2 **Operating income** Other income (1) (1) 7 Interest expense 5 26 Income (loss) before income taxes (4) 9 6 Income tax provision Net income (loss) 17 (10)Net income attributable to noncontrolling interests (3) (2) \$ 14 \$ Net income (loss) attributable to GXO (12)

## **Condensed Combined Statements of Comprehensive Loss**

# (Unaudited)

	Three Months Ended March 31,							
(In millions)		2021	2020					
Net income (loss)	\$	17	\$	(10)				
Other comprehensive loss, net of tax								
Foreign currency translation loss, net of tax effect of \$3 and \$(2)	\$	(45)	\$	(79)				
Unrealized loss on financial assets/liabilities designated as hedging instruments, net of tax effect of \$(1) and \$—		(1)						
Other comprehensive loss		(46)		(79)				
Comprehensive loss	\$	(29)	\$	(89)				
Less: Comprehensive loss attributable to noncontrolling interests		(1)		(2)				
Comprehensive loss attributable to GXO	\$	(28)	\$	(87)				

## **Condensed Combined Statements of Cash Flow**

(Unaudited)

	-	mee monems zmaca	maca march or,			
(In millions)		2021	2020			
Operating activities						
Net income (loss)	\$	17 \$	(10)			
Adjustments to reconcile net income (loss) to net cash from operating activities						
Depreciation, amortization and net lease activity		79	76			
Other		4	(10)			
Changes in assets and liabilities						
Accounts receivable		3	77			
Other assets		(65)	(47)			
Accounts payable		(17)	(31)			
Accrued expenses and other liabilities		26	(14)			
Net cash provided by operating activities		47	41			
Investing activities						
Payment for purchases of property and equipment		(67)	(48)			
Proceeds from sale of property and equipment		_	3			
Purchase and sale of affiliate trade receivables, net		20	8			
Other		9	_			
Net cash used in investing activities		(38)	(37)			
Financing activities						
Net proceeds (borrowings) related to trade securitization program		(25)	84			
Repayment of debt and finance leases		(26)	(62)			
Net transfers from XPO		138	55			
Other		(7)	4			
Net cash provided by financing activities		80	81			
Effect of exchange rates on cash, cash equivalents and restricted cash	,	(3)	(13)			
Net increase in cash, cash equivalents and restricted cash		86	72			
Cash, cash equivalents, and restricted cash, beginning of period		328	200			
Cash, cash equivalents, and restricted cash, end of period	\$	414 \$	272			
Supplemental disclosure of cash flow information:						
Cash paid for interest	\$	5 \$	6			

Three Months Ended March 31,

See accompanying notes to condensed combined financial statements.

Cash paid for income taxes

\$

6 \$

4

## **Condensed Combined Statements of Changes in Equity**

# (Unaudited)

		A	Accumulated					
			Other	E	quity Before	Non-		
	XPO	C	omprehensive	N	oncontrolling	controlling		
(In millions)	Investment	I	ncome (Loss)		Interests	Interests	T	otal Equity
Balance as of December 31, 2020	\$ 2,765	\$	58	\$	2,823	\$ 125	\$	2,948
Net income	\$ 14	\$	_	\$	14	\$ 3	\$	17
Other comprehensive loss	\$ _	\$	(42)	\$	(42)	\$ (4)	\$	(46)
Net transfers from XPO	\$ 124	\$	_	\$	124	\$ 	\$	124
Balance as of March 31, 2021	\$ 2,903	\$	16	\$	2,919	\$ 124	\$	3,043

				Accumulated					
				Other	F	Equity Before	Non-		
		XPO	(	Comprehensive	N	oncontrolling	controlling		
(In millions)	Inv	estment	]	Income (Loss)		Interests	Interests	Te	otal Equity
Balance as of December 31, 2019	\$	2,633	\$	(66)	\$	2,567	\$ 130	\$	2,697
Net income (loss)		(12)		_		(12)	2		(10)
Other comprehensive loss		_		(75)		(75)	(4)		(79)
Net transfers from XPO		67		_		67			67
Balance as of March 31, 2020	\$	2,688	\$	(141)	\$	2,547	\$ 128	\$	2,675

### **Notes to Condensed Combined Financial Statements**

(Unaudited)

## 1. Organization

### Nature of Operations

We are a leading global provider of logistics services, with operations primarily in North America and Europe. We provide high-value-add warehousing and distribution, order fulfillment and other supply chain services differentiated by our ability to deliver technology-enabled, customized solutions. In addition, we are a major provider of reverse logistics, which is also called returns management. We serve a broad range of customers in the e-commerce and retail, food and beverage, consumer packaged goods, aerospace, consumer technology, manufacturing and other industries. We present our operations in the Condensed Combined Financial Statements as one reportable segment.

## The Proposed Distribution

In December 2020, the board of directors of our parent company, XPO Logistics, Inc. (together with its subsidiaries, "XPO"), unanimously approved a plan to pursue a spin-off of 100% of its Logistics segment as a separate publicly traded company named GXO Logistics, Inc. ("GXO", the "Company" or "we"). The spin-off is expected to be completed through a tax-free pro rata distribution of all the outstanding shares of common stock of GXO (the "Distribution") to XPO shareholders. GXO's stock is expected to trade on the New York Stock Exchange. Completion of the transaction, is subject to a number of conditions including the approval of XPO's board of directors, in its sole and absolute discretion. References to GXO or the Company include the subsidiaries of XPO that will be subsidiaries of GXO at the time of the Distribution.

### 2. Basis of Presentation

The Condensed Combined Financial Statements of GXO were prepared on a standalone basis and have been derived from the consolidated financial statements and accounting records of XPO. These financial statements reflect the combined historical results of operations, financial position and cash flows of GXO in accordance with U.S. generally accepted accounting principles ("GAAP").

Historically, separate financial statements have not been prepared for the Company and it has not operated as a standalone business separate from XPO. The combined financial statements include certain assets and liabilities that have historically been held by XPO or by other XPO subsidiaries but are specifically identifiable or otherwise attributable to the Company. All significant intercompany transactions between XPO and the Company have been included as components of XPO investment in the combined financial statements, as they are to be considered effectively settled upon effectiveness of the Distribution. The Condensed Combined Financial Statements are presented as if the GXO businesses had been combined for all periods presented. The assets and liabilities in the Condensed Combined Financial Statements have been reflected on a historical cost basis, as immediately prior to the Distribution all of the assets and liabilities presented are wholly owned by XPO and are being transferred to GXO at a carry-over basis.

The Condensed Combined Balance Sheets include certain assets and liabilities directly attributable to GXO, and the Condensed Combined Statements of Operations include allocations of XPO costs and expenses, as described below.

XPO's corporate function ("Corporate") incurs a variety of expenses including, but not limited to, information technology, human resources, accounting, sales and sales operations, procurement, executive services, legal, corporate finance and communications. For purposes of the Condensed Combined Statements of Operations, an allocation of these expenses is included to burden all business units

comprising XPO's historical operations. The charges reflected have either been specifically identified or allocated using drivers including proportional adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA"), which includes adjustments for							
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transaction and integration costs, as well as restructuring costs and other adjustments, or headcount. The majority of these allocated costs are recorded in SG&A and Depreciation and amortization expense in the Condensed Combined Statements of Operations. We believe the assumptions regarding allocations of XPO corporate expenses are reasonable. Nevertheless, the Condensed Combined Financial Statements may not reflect the combined results of operations, financial position and cash flows had the Company been a standalone entity during the periods presented.

XPO investment represents XPO's historical investment in GXO, and includes the net effects of transactions with and allocations from XPO as well as GXO's accumulated earnings. Certain transactions between GXO and XPO, including XPO's non-GXO subsidiaries, have been included in these Condensed Combined Financial Statements, and are considered to be effectively settled at the time the transaction is recorded. The total net effect of the cash settlement of these transactions is reflected in the Condensed Combined Statements of Cash Flows as a financing activity and in the Condensed Combined Balance Sheets as XPO investment. The components of the net transfers to and from XPO include certain costs allocated from Corporate functions, income tax expense, certain cash receipts and payments made on behalf of GXO and general financing activities.

## Principles of Combination

The Condensed Combined Financial Statements include the accounts and business activities distributed across the legal entities of GXO. Significant intercompany balances and transactions among the operations of the GXO legal entities have been eliminated in the Condensed Combined Financial Statements. All significant related party transactions between GXO and XPO have been included in these Condensed Combined Financial Statements as components of XPO investment. The Condensed Combined Financial Statements reflect all adjustments that are of a normal recurring nature and are necessary for a fair presentation of financial condition, operating results and cash flows for the interim periods presented. Operating results for the three months ended March 31, 2021 and 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021 and 2020, respectively, particularly in light of the outbreak of a strain of coronavirus, COVID-19, in the first quarter of 2020.

### **Significant Accounting Policies**

## Trade Receivables Securitization and Factoring Programs

We sell certain of our trade accounts receivable on a non-recourse basis to third-party financial institutions under factoring agreements. We account for these transactions as sales of receivables and present cash proceeds as cash provided by operating activities in the Condensed Combined Statements of Cash Flows. We also sell certain European trade accounts receivable under a securitization program described below. We use trade receivables securitization and factoring programs to help manage our cash flows and offset the impact of extended payment terms for some of our customers.

XPO Logistics Europe, one of our majority-owned subsidiaries, participates in a trade receivables securitization program coarranged by three European banks (the "Purchasers"). Under the program, a wholly-owned bankruptcy-remote special purpose entity of XPO Logistics Europe sells trade receivables that originate with wholly-owned subsidiaries of XPO Logistics Europe to unaffiliated entities managed by the Purchasers. The special purpose entity is a variable interest entity and has been presented within these combined financial statements based on our control of the entity's activities.

We account for transfers under our securitization and factoring arrangements as sales because we sell full title and ownership in the underlying receivables and control of the receivables is considered transferred. For these transfers, the receivables are removed from our Condensed Combined Balance Sheets at the date of transfer. In the securitization and factoring arrangements, our continuing involvement is limited to servicing the receivables. The fair value of any servicing assets and liabilities is immaterial. In addition to selling trade receivables which originate with GXO, the special purpose entity also purchases trade receivables from XPO and sells assets to the Purchasers. The trade receivables which have been purchased from XPO have been reflected within Other current assets in

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the Condensed Combined Balance Sheets, and the related cash flows have been reflected within Purchase and sale of affiliate trade

receivables, net, within investing activities in the Condensed Combined Statements of Cash Flows.

Information related to the trade receivables sold was as follows:

	Th	Three Months Ended March 31,						
(In millions)		2021	2020					
Securitization programs	-	_						
Receivables sold in period	\$	347 \$	319					
Cash consideration		347	319					
Factoring programs								
Receivables sold in period		100	246					
Cash consideration		100	245					

#### Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The levels of inputs used to measure fair value are:

- Level 1—Quoted prices for identical instruments in active markets;
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets; and
- Level 3—Valuations based on inputs that are unobservable, generally utilizing pricing models or other valuation techniques
  that reflect management's judgment and estimates.

We base our fair value estimates on market assumptions and available information. The carrying values of cash and cash equivalents, accounts receivable, financial assets purchased from XPO, accounts payable, accrued expenses and current maturities of long-term debt approximated their fair values as of March 31, 2021 and December 31, 2020 due to their short-term nature and/or being receivable or payable on demand. The Level 1 cash equivalents include money market funds valued using quoted prices in active markets.

The fair value of cash equivalents approximates its carrying value and amounted to \$45 million and \$54 million as of March 31, 2021 and December 31, 2020, respectively. The cash equivalents are classified as Level 1 within the fair value hierarchy.

## Adoption of New Accounting Standards

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." The ASU is intended to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The ASU also clarifies and amends existing guidance to enhance consistency and comparability among reporting entities. We adopted this standard on January 1, 2021 on a prospective basis. The adoption did not have a material effect on our Condensed Combined Financial Statements.

### Accounting Pronouncements Issued but Not Yet Effective

In March 2020, the FASB issued ASU 2020-04, "Reference rate reform (Topic 848): Facilitation of the effects of reference rate reform on financial reporting." The ASU provides optional expedients and exceptions for applying GAAP to contracts, hedging

relationships, and other transactions affected by reference rate reform. The amendments apply only to contracts and hedging
relationships that reference London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued due to
reference rate reform. The amendments are elective and are effective upon issuance through December 31, 2022. We are currently
evaluating the impact of the new guidance.

## 3. Acquisition

In January 2021, we acquired the majority of Kuehne + Nagel's contract logistics operations in the United Kingdom and Ireland, which generated annual revenues in 2020 of approximately £450 million (\$585 million). The operations provide a range of logistics services, including inbound and outbound distribution, reverse logistics management and inventory management. We have recorded preliminary estimates for the fair value of acquired assets and liabilities assumed, including approximately \$300 million of operating lease assets and operating lease liabilities. Pro forma results of operations for this acquisition have not been presented as it is not material to the condensed combined results of operations.

## 4. Revenue Recognition

Disaggregation of Revenues

We disaggregate our revenue by geographic area. Our revenue disaggregated by geographical area, based on sales office location, was as follows:

	Thr	Three Months Ended Ma			
(In millions)		021	2020		
Revenue					
United States	\$	584 \$	536		
United Kingdom		552	329		
France		180	150		
Europe (excluding France and United Kingdom)		465	386		
Other		41	39		
Total	\$	1,822 \$	1,440		

Our revenue by industry sector was approximately as follows: e-commerce/retail (37% and 36% for the three months ended March 31, 2021 and 2020, respectively); food and beverage (18% and 15% for the three months ended March 31, 2021 and 2020, respectively); consumer packaged goods (12% for both the three months ended March 31, 2021 and 2020); consumer technology (10% and 11% for the three months ended March 31, 2021 and 2020, respectively); and other (23%, and 26% for the three months ended March 31, 2021 and 2020, respectively).

Contract Liabilities

Our contract liabilities activity was as follows:

(In millions)

(II muuois)	
Balance as of December 31, 2020	\$ 97
Revenue recognized	(63)
Unearned revenue (1)	128
Foreign exchange and other	 (3)
Balance as of March 31, 2021	\$ 159

(1) Includes \$82 million related to the Kuehne + Nagel acquisition.

## **Performance Obligations**

Remaining performance obligations relate to firm customer contracts for which services have not been performed and future revenue recognition is expected. As permitted in determining the remaining performance obligation, we omit obligations that (i) have original expected durations of one year or less or (ii) contain variable consideration. On March 31, 2021, the fixed consideration component of our remaining performance obligation was approximately \$2.0 billion, and we expect to recognize approximately 65% of that amount over the next three years and the remainder thereafter. The remaining performance obligation at March 31, 2021 includes contracts related to

the Kuehne + Nagel acquisition. We estimate remaining performance obligations at a point in time and actual amounts may differ from these estimates due to changes in foreign currency exchange rates and contract revisions or terminations.

## 5. Restructuring Charges

We engage in restructuring actions as part of our ongoing efforts to best use our resources and infrastructure. These actions generally include severance and facility-related costs, including impairment of operating lease assets, and are intended to improve our efficiency and profitability.

Our severance related activity was as follows:

(In millions)

Balance as of December 31, 2020	\$ 20
Charges incurred	4
Payments	(5)
Foreign exchange and other	 (2)
Balance as of March 31, 2021	\$ 17

We expect the majority of the cash outlays related to the charges incurred in the three months ended March 31, 2021 will be complete within twelve months.

### 6. Debt

The following table summarizes our debt:

	March 31, 2021			December 31, 2020				
	Principal					Principal		
(In millions)	Balance		Carrying Value		Balance		Carrying Value	
Borrowings related to trade securitization program	\$	_	\$	_	\$	26	\$	26
Finance leases and other		161		161		161		161
Related-party debt		457		457		486		486
Total debt		618		618		673		673
Short-term borrowings and current finance lease liabilities		32		32		58		58
Long-term debt	\$	586	\$	586	\$	615	\$	615

The fair value of our debt and classification in the fair value hierarchy was as follows:

(In millions)	Fair	Value	Level 1	Level 2	 Level 3
March 31, 2021	\$	618	\$ 2	\$ 159	\$ 457
December 31, 2020	\$	673	\$ 2	\$ 185	\$ 486

We valued Level 1 debt using quoted prices in active markets. We valued Level 2 debt using bid evaluation pricing models or quoted prices of securities with similar characteristics. We valued Level 3 debt using non-observable inputs.

## Borrowings related to Securitization

Our trade receivables securitization program permits us to borrow, on an unsecured basis, cash collected in a servicing capacity on previously sold receivables. These borrowings are owed to the program's Purchasers and are included in short-term debt until they are repaid in the following month's settlement. The securitization program expires in July 2022 and contains financial covenants customary for this type of arrangement, including maintaining a defined average days sales outstanding ratio. For additional information on the securitization program, see Note 2—Basis of Presentation.

## Long-Term Related-Party Debt

Loan Agreement with North American Subsidiary

In 2015, XPO entered into a loan agreement with a North American subsidiary of GXO, under which XPO granted the subsidiary an unsecured loan bearing interest at a rate of 5.625% with a principal amount not exceeding \$391 million and maturing in June 2024. As of March 31, 2021 and December 31, 2020, the Company had an outstanding loan payable to XPO of \$174 million and \$186 million, respectively. The notes are guaranteed by an XPO affiliate.

Loan Agreements with European Subsidiaries

Additionally, XPO entered into several loan agreements with European subsidiaries of GXO, under which XPO granted the subsidiaries unsecured loans with principal amounts of:

- €20 million (approximately \$23 million as of March 31, 2021) entered into in 2013, bearing interest at a variable rate of twelve-month Euribor plus 1% and maturing in October 2026 and
- £82 million (approximately \$112 million as of March 31, 2021) entered into in 2016, bearing interest at a variable rate of twelve-month Libor plus 1% and maturing in October 2026.

The outstanding amounts related to these loans payable to XPO was \$135 million as of both March 31, 2021 and December 31, 2020.

Additionally, in 2015, XPO entered into a loan agreement under which it granted XPO Logistics Europe a loan in the amount of €335 million, bearing interest at a fixed rate of 5.625% and maturing in June 2024. The loan payable was \$148 million and \$165 million at March 31, 2021 and December 31, 2020, respectively.

### 7. Commitments and Contingencies

We are involved, and will continue to be involved, in numerous proceedings arising out of the conduct of our business. These proceedings may include personal injury claims arising from the transportation and handling of goods, contractual disputes and employment-related claims, including alleged violations of wage and hour laws.

We establish accruals for specific legal proceedings when it is considered probable that a loss has been incurred and the amount of the loss can be reasonably estimated. We review and adjust accruals for loss contingencies quarterly and as additional information becomes available. If a loss is not both probable and reasonably estimable, or if an exposure to loss exists in excess of the amount accrued, we assess whether there is at least a reasonable possibility that a loss, or additional loss, may have been incurred. If there is a reasonable possibility that a loss, or additional loss, may have been incurred, we disclose the estimate of the possible loss or range of loss if it is material and an estimate can be made, or disclose that such an estimate cannot be made. The determination as to whether a loss can reasonably be considered to be possible or probable is based on our assessment, together with legal counsel, regarding the ultimate outcome of the matter.

We believe that we have adequately accrued for the potential impact of loss contingencies that are probable and reasonably estimable. We do not believe that the ultimate resolution of any matters to which we are presently a party will have a material adverse effect on our results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on our financial condition, results of operations or cash flows. Legal costs incurred related to these matters are expensed as incurred.

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### 8. Related-Party Transactions

Transactions between the Company and XPO, and other non-GXO subsidiaries of XPO, are deemed related-party transactions. Related-party transactions are comprised of the following: (i) those that have been effectively settled or are expected to be settled for cash, and (ii) those which have historically not been settled and which have or are expected to be forgiven by either party. For those that have been or are expected to be cash settled, we have recorded related-party receivables (assets) or payables (liabilities) in the Condensed Combined Balance Sheets as of March 31, 2021 and December 31, 2020. For those that have been or are expected to be forgiven, the amounts have been recorded as an adjustment of XPO Investment in the Condensed Combined Balance Sheets as of March 31, 2021 and December 31, 2020.

### Allocation of General Corporate Expenses

The Combined Statements of Operations include expenses for certain centralized functions and other programs provided and/or administered by XPO that are charged directly to the Company. In addition, for purposes of preparing these Combined Financial Statements, a portion of XPO's total corporate expenses have been allocated to the Company. See Note 2 for a discussion of the methodology used to allocate such costs for purposes of preparing these combined financial statements.

Costs of \$69 million and \$59 million for the three months ended March 31, 2021 and 2020, respectively, have been reflected in SG&A in our Condensed Combined Statements of Operations for our allocated share of XPO's corporate overhead.

### Transactions with XPO and its non-GXO Subsidiaries

Revenue and costs generated from related parties for each of the three months ended March 31 were as follows:

	 Three Months Ended March 31,					
(In millions)	2021 2020					
Revenue	\$ 4	\$	4			
Costs	32		28			

Current assets includes trade receivables purchased from XPO in connection with our trade receivables securitization program of \$85 million and \$105 million as of March 31, 2021 and December 31, 2020, respectively. These receivables were originated by XPO and are classified as financial assets within other current assets on the Condensed Combined Balance Sheets.

### Balances with XPO and its non-GXO Subsidiaries

Assets and liabilities on the Condensed Combined Balance Sheets include the following related-party amounts that are expected to be cash settled as of March 31, 2021 and December 31, 2020:

•	•					•
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(In millions)	2021	December 31, 2020
Amounts due from XPO and its affiliates		
Trade receivables <sup>(1)</sup>	\$ 8 \$	9
Other current assets <sup>(2)</sup>	2	2
Other long-term assets <sup>(3)</sup>	52	53
Amounts due to XPO and its affiliates		
Trade payables <sup>(4)</sup>	19	20
Other current liabilities <sup>(5)</sup>	11	11
Accrued expenses <sup>(6)</sup>	2	2
Loans payable <sup>(7)</sup>	457	486

<sup>(1)</sup> Represents trade receivables generated from revenue with XPO.

<sup>(2)</sup> Primarily relates to interest receivable from loans receivable from XPO.

- (3) Represents loans receivable from XPO.
- (4) Represents trade payables due to XPO.
- (5) Primarily relates to facility expense and taxes payable due to XPO.
- (6) Represents accrued interest on loans due to XPO.
- (7) Represents loans due to XPO. See Note 6 for further information.

### 9. Subsequent Events

In April 2021, the Company announced a buy-out offer to be followed by a squeeze-out for the remaining 3% of XPO Logistics Europe that it does not already own, at a price of €315 per share for 341,887 shares. It is expected that the total cash consideration to be paid in connection with this offer will be approximately €108 million (approximately \$128 million). The offer will be subject to review by the Supervisory Board of XPO Logistics Europe, as well as other regulatory bodies. In anticipation of the buy-out, XPO contributed \$122 million of cash to GXO during the first quarter of 2021. This contribution is reflected as an increase to Net transfers from XPO on the Condensed Combined Statements of Cash Flows.