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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported): November 6, 2017

Commission File Number 1-10948

OFFICE DEPOT, INC.
(Exact name of registrant as specified in its charter)

Delaware	**59-2663954**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6600 North Military Trail, Boca Raton, FL	**33496**
(Address of principal executive offices)	**(Zip Code)**

(561) 438-4800
(Registrant's telephone number, including area code)

Former name or former address, if changed since last report: N/A

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

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

EXPLANATORY NOTE

On November 9, 2017, Office Depot, Inc. ("Office Depot" or the "Company") filed with the Securities and Exchange Commission (the "SEC"), a Current Report on Form 8-K (the "Initial Form 8-K") disclosing that on November 8, 2017, the Company completed its acquisition of THL Portfolio Holdings Corp. ("THL"), an indirect parent company of CompuCom Systems, Inc. ("CompuCom"), pursuant to an Agreement and Plan of Merger, dated as of October 3, 2017 (the "Merger Agreement"), by and among the Company, THL, Lincoln Merger Sub One, Inc., a Delaware corporation and a wholly owned subsidiary of the Company, Lincoln Merger Sub Two, LLC, a Delaware limited liability company and a wholly owned subsidiary of the Company and, for the limited purposes set forth in the Merger Agreement, Thomas H. Lee Equity Fund VI, L.P. (the "Acquisition"). In the Initial Form 8-K, Office Depot stated its intention to file the historical financial statements of CompuCom and the pro forma financial information required by parts (a) and (b) of Item 9.01 of Form 8-K not later than seventy-one (71) calendar days after the date that the Initial Form 8-K was required to be filed with the SEC. Pursuant to the instructions to Item 9.01 of Form 8-K, this Amendment No. 1 to the Current Report on Form 8-K/A (the "Amendment No. 1") amends the Initial 8-K in order to provide the required financial information.

Item 9.01 Financial Statements and Exhibits.

Attached hereto and included herein are the following exhibits:

(a) Financial Statements of Businesses Acquired.

99.1 The audited financial statements of CompuCom as of and for the year ended December 31, 2016.

99.2 The unaudited interim financial statements of CompuCom as of and for the nine months ended September 30, 2017.

(b) Pro Forma Financial Information.

99.3 (i) Unaudited pro forma condensed combined balance sheet which gives effect to the Acquisition as if it had occurred on September 30, 2017;

(ii) The related unaudited pro forma condensed combined statements for the nine-month period ended September 30, 2017, and the year ended December 31, 2016, which gives effect to the Acquisition as if it had occurred on January 1, 2016; and

(iii) The related notes to the unaudited pro forma condensed combined financial statements.

(d) Exhibits.

The following exhibits are hereby filed as part of this Amendment No. 1:

Exhibit Number	Description
Exhibit 23.1	Consent of PricewaterhouseCoopers LLP, independent auditor for CompuCom Systems, Inc.
Exhibit 99.1	Annual Financial Report for the year ending December 31, 2016 of CompuCom Systems, Inc.
Exhibit 99.2	Interim Financial Report for the nine-month period ending September 30, 2017 of CompuCom Systems, Inc.
Exhibit 99.3	(i) Unaudited pro forma condensed combined balance sheet which gives effect to the Acqusition as if it had occurred on September 30, 2017; (ii) The related unaudited pro forma condensed combined statements for the nine-month period ended September 30, 2017, and the year ended December 31, 2016, which gives effect to the Acqusition as if it had occurred on January 1, 2016; and (iii) The related notes to the unaudited pro forma condensed combined financial statements.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereto duly authorized.

OFFICE DEPOT, INC.

Date: January 19, 2018

/s/ N. DAVID BLEISCH

N. David Bleisch
Executive Vice President, Chief Legal Officer & Corporate Secretary

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (No. 333-45591, 333-59603, 333-63507, 333-68081, 333-69831, 333-80123, 333-90305, 333-41060, 333-123527, 333-144936, 333-177496, 333-192185, 333-205084, and 333-219380) of Office Depot, Inc. of our report dated March 31, 2017 relating to the consolidated financial statements of CompuCom Systems, Inc., which appears in this Current Report on Form 8-K/A of Office Depot, Inc.

/s/ PricewaterhouseCoopers LLP
Dallas, Texas
January 19, 2018

Exhibit 99.1

CompuCom

Consolidated Financial Statements

December 31, 2016

CompuCom Systems, Inc.

COMPUCOM SYSTEMS, INC.

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Report of Independent Auditors

To the Board of Directors of CompuCom Systems, Inc.

We have audited the accompanying consolidated financial statements of CompuCom Systems, Inc. and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2016, and the related consolidated statement of operations, comprehensive loss, stockholder's equity (deficit) and redeemable noncontrolling interest and cash flows for the year then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CompuCom Systems, Inc. and its subsidiaries as of December 31, 2016, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP
Dallas, Texas
March 31, 2017

COMPUCOM SYSTEMS, INC.

Consolidated Balance Sheets

(In thousands, except share amounts)

	December 31, 2016
Assets	
Current assets:	
Cash and cash equivalents	$ 63,863
Restricted cash instruments	1,080
Receivables, net	263,336
Inventories	24,961
Deferred income taxes	11,004
Prepaid assets	16,280
Other current assets	4,148
Total current assets	384,672
Property and equipment, net	60,257
Goodwill	174,048
Other intangible assets, net	448,257
Deferred income taxes	2,282
Other long-term assets	12,800
Total assets	$ 1,082,316
Liabilities, Redeemable Noncontrolling Interest and Stockholder’s Equity (Deficit)	
Current liabilities:	
Accounts payable	$ 143,333
Accrued liabilities	121,942
Current portion of long-term debt	6,595
Total current liabilities	271,870
Long-term debt, less current portion	763,785
Deferred income taxes	132,993
Obligations under build-to-suit lease transactions	9,626
Other long-term liabilities	14,123
Total liabilities	1,192,397
Redeemable noncontrolling interest	13,895
Stockholder’s equity (deficit):	
Common stock, $0.01 par value; 1,000 shares authorized; 100 shares issued and outstanding	—
Additional paid-in capital	317,007
Accumulated other comprehensive loss	(5,988)
Accumulated deficit	(434,995)
Total stockholder’s equity (deficit)	(123,976)
Total liabilities, redeemable noncontrolling interest, and stockholder’s equity (deficit)	$ 1,082,316

The accompanying notes are an integral part of these consolidated financial statements.

COMPUCOM SYSTEMS, INC.

Consolidated Statements of Operations

(In thousands)

	Year ended December 31, 2016
Revenue:	
Service	$ 883,413
Product	229,967
Total revenue	1,113,380
Cost of revenue (exclusive of depreciation and amortization shown separatedly below):	
Service	619,674
Product	167,465
Total cost of revenue (exclusive of depreciation and amortization shown separatedly below)	787,139
Selling, general and administrative	246,039
Depreciation and amortization	34,810
Asset impairments	109,569
Acquisition related costs	191
Restructuring costs	16,293
Loss from operations	(80,661)
Gain on debt extinguishment	5,299
Other income, net	3,381
Financing expenses, net	(45,939)
Loss before income taxes	(117,920)
Income tax expense	9,745
Net loss	(127,665)
Less: Net income attributable to noncontrolling interest	754
Net loss attributable to CompuCom	$ (128,419)

The accompanying notes are an integral part of these consolidated financial statements.

COMPUCOM SYSTEMS, INC.

Consolidated Statements of Comprehensive Loss

(In thousands)

	Year Ended December 31, 2016
Net loss	$ (127,665)
Other comprehensive loss	
Foreign currency translation adjustment, net of tax benefit of $573	243
Unrealized loss on foreign currency hedges, net of tax benefit of $125	(201)
Other comprehensive income, net of tax	42
Total comprehensive loss	(127,623)
Less: Comprehensive income attributable to noncontrolling interest	754
Comprehensive loss attributable to CompuCom	$ (128,377)

The accompanying notes are an integral part of these consolidated financial statements.

COMPUCOM SYSTEMS, INC.

Consolidated Statements of Stockholder's Equity (Deficit) and Redeemable Noncontrolling Interest

(In thousands, except share amounts)

	Common stock		Additional	Accumulated other comprehensive	Accumulated	Total stockholder's	Reedemable noncontrolling	Total stockholder's equity (deficit) and redeemable
	Shares	Amount	paid-in capital	loss	deficit	equity (deficit)	interest	noncontrolling interest
Balance at December 31, 2015	100	$ —	319,738	(6,030)	(304,284)	9,424	—	9,424
Acquisition of redeemable noncontrolling interest	—	—	—	—	—	—	10,953	10,953
Distribution to Parent	—	—	(3,123)	—	—	(3,123)	—	(3,123)
Distribution to redeemable noncontrolling interest	—	—	—	—	—	—	(104)	(104)
Stock compensation expense	—	—	392	—	—	392	—	392
Net income (loss)	—	—	—	—	(128,419)	(128,419)	754	(127,665)
Reedemable noncontrolling interest redemption value adjustment	—	—	—	—	(2,292)	(2,292)	2,292	—
Other comprehensive income, net of taxes	—	—	—	42	—	42	—	42
Balance at December 31, 2016	100	$ —	317,007	(5,988)	(434,995)	(123,976)	13,895	(110,081)

The accompanying notes are an integral part of these consolidated financial statements.

COMPUCOM SYSTEMS, INC.
Consolidated Statements of Cash Flows
(In thousands)

	Year ended December 31, 2016
Cash flows from operating activities:	
Net loss	$ (127,665)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	34,810
Asset impairments	109,569
Amortization of debt issuance costs and debt discount	4,300
Amortization of capital lease asset	157
Amortization of vendor financed costs	6,814
Loss from sale of property and equipment, net	679
Loss from equity method investments, net	378
Deferred income taxes	(2,460)
Stock compensation expense	392
Gain on debt extinguishment	(5,299)
Loss (gain) from foreign currency transactions	(488)
Changes in assets and liabilities, net of effects from acquisitions:	
Receivables	20,887
Inventories	(10,748)
Other assets	8,839
Accounts payable	(8,783)
Accrued liabilities and other	6,357
Net cash provided by operating activities	37,739
Cash flows from investing activities:	
Capital expenditures	(32,486)
Business acquisitions, net of cash acquired	(10,765)
Proceeds from sale of property and equipment	75
Net cash used in investing activities	(43,176)
Cash flows from financing activities:	
Repayment of long-term debt	(13,528)
Repayment of notes payable	(9,572)
Distribution to Parent	(3,123)
Distribution to noncontrolling interest	(104)
Net cash used in financing activities	(26,327)
Effect of exchange rate changes on cash and cash equivalents	808
Net decrease in cash and cash equivalents	(30,956)
Cash and cash equivalents at beginning of period	95,899
Cash and cash equivalents at end of period	$ 64,943

The accompanying notes are an integral part of these consolidated financial statements.

(1) Description of Business and Summary of Significant Accounting Policies

(a) Description of Business

Throughout this report, the terms “we,” “our,” “CompuCom,” and the “Company” refer to CompuCom Systems, Inc. and its subsidiaries. We are a leading provider of information technology (IT) outsourcing services and products to North American enterprise organizations. We offer a broad range of solutions that includes end user computing (tablets, smartphones, laptops and desktops), data center management, service desk, network infrastructure and IT workforce solutions. Our largest service offering is end user computing, which provides on-site services to assist corporate end users with their IT needs. Over the last few years, we have expanded into emerging areas which require platform expertise and management, including mobile device management and cloud services.

We were incorporated in Delaware on March 23, 1989, and our corporate headquarters are located in Charlotte, North Carolina. We operate our business in two segments: Service and Product.

- Through our Service segment, we deliver innovative services through a customer-centric sales and delivery model. Our expertise enables us to deliver a comprehensive IT infrastructure management solution to our customers.
- Through our Product segment, we offer broad vendor-neutral product and product-related service offerings, which enables our enterprise customers to turn to a trusted party to procure and deploy hardware and software.

As a result of a merger transaction completed in September 2007, CompuCom became a wholly owned subsidiary of CompuCom Systems Holding Corp. (Parent). Parent was in turn owned by Court Square Capital Partners (Court Square) and certain members of the Company’s management.

On April 5, 2013, Compiler Holdings LLC (Super Holdings), Compiler Merger Sub Inc. (Merger Sub) and Compiler Finance Sub. Inc. (Finance Sub), each of which is an affiliate of Thomas H. Lee Partners, L.P. (together with its controlled affiliates and funds managed or advised by it or its controlled affiliates, THL), Parent, the Company and CSC Shareholder Services LLC, entered into an Agreement and Plan of Merger (as amended or restated, the Merger). On May 9, 2013, Finance Sub merged with and into the Company, with the Company surviving as a wholly-owned subsidiary of Parent, and Merger Sub merged with and into Parent, with Parent surviving (the Merger). Upon consummation of the Merger, Parent was owned approximately 99.3% by Super Holdings and 0.7% by certain members of the Company’s management, whereas Super Holdings is a wholly-owned subsidiary of THL Portfolio Holdings Corp. (THL Holdings). Immediately after the consummation of the Merger, the holders of Parent’s common stock transferred such common stock to CompuCom Intermediate Holdings, Inc., a newly formed Delaware corporation (Intermediate Holdings) in exchange for Intermediate Holdings common stock, and immediately following such transfer, Parent converted into a Delaware limited liability company and changed its name to CompuCom Systems Holding LLC (these transactions, together with the Merger, are herein referred to as the Acquisition).

(b) Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP).

The consolidated financial statements include the accounts of CompuCom and its wholly-owned subsidiaries, and a certain variable interest entity where CompuCom is the primary beneficiary. For consolidated entities, where the Company owns less than 100% of the economics, we recorded net income (loss) attributable to noncontrolling interest in the statement of operations equal to the percentage of the ownership interest retained in such entities by the respective noncontrolling parties. All significant intercompany balances and transactions have been eliminated. The Company accounts for investments over which it has significant influence but not controlling financial interest using the equity method of accounting.

(c) Accounting Estimates

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. CompuCom bases its estimates on historical experience and on other relevant assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

(d) Accounting Standards

Recently Adopted Accounting Standards

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, and, in August 2015, the FASB issued ASU No. 2015-15, *Interest – Imputation of Interest,* which both amend ASC 835-30 *Interest – Imputation of Interest.* These updates require debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with the presentation of debt discounts, while debt issuance costs related to line-of-credit arrangements will continue to be presented as an asset. Both updates are effective for annual reporting periods beginning after December 15, 2015. The guidance resulted in a change in financial statement presentation only and did not have a material impact on the consolidated financial position, results of operations, or cash flows.

Recently Issued Accounting Standards

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. Topic 350 currently requires an entity that has not elected the private company alternative for goodwill to perform a two-step test to determine the amount, if any, of goodwill impairment. In Step 1, an entity compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the entity performs Step 2 and compares the implied fair value of goodwill with the carrying amount of that goodwill for that reporting unit. An impairment charge equal to the amount by which the carrying amount of goodwill for the reporting unit exceeds the implied fair value of that goodwill is recorded, limited to the amount of goodwill allocated to that reporting unit. ASU 2017-04 addresses concerns over the cost and complexity of the two-step goodwill impairment test by removing the second step of the test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. This ASU will become effective for goodwill impairment tests in fiscal years beginning after December 15, 2021, with early adoption permitted beginning with annual impairments performed after January 1, 2017. The Company is currently assessing the impact of this guidance on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments.* ASU 2016-05 addresses eight specific cash flow issues to reduce the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2017, including interim reporting periods. The Company is currently assessing the impact of this guidance on the consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 outlines a single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance issued by the FASB, including industry specific guidance. ASU 2014-09 provides accounting guidance for all revenue arising from contracts with customers and affects all entities that enter into contracts with customers to provide goods and services. ASU 2014-09 also requires entities to disclose both quantitative and qualitative information to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This guidance is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted for annual reporting periods beginning after December 15, 2017. We are currently assessing the guidance prescribed by ASU 2014-09, and we have not yet determined the impact the adoption of this standard will have on our consolidated financial statements.

The FASB has issued several more pronouncements related to the new revenue standard ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended by ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date)*:

In December 2016, the FASB issued ASU No. 2016-20, *Revenue from Contracts with Customers (Topic 606): Technical Corrections and Improvements*. ASU 2016-20 represents changes for minor corrections or minor improvements to the Codification that are not expected to have a significant effect on the current accounting practice or create a significant administrative cost to most entities.

In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow Scope Improvements and Practical Expedients.* ASU 2016-12 clarifies certain core recognition principles including collectability, sales tax presentation, noncash consideration, evaluating contract modifications and completed contracts at transition, and the disclosure requirement for the effect of the accounting change for the period of adoption.

In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing.* ASU 2016-10 covers two specific topics: performance obligations and licensing. This amendment includes guidance on immaterial promised goods or services, shipping or handling activities, separately identifiable performance obligations, functional or symbolic intellectual property licenses, sales-based and usage-based royalties, license restrictions and licensing renewals.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross verses Net).* ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist any entity in determining whether it controls a specified good or service before it is transferred to the customers.

This guidance is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted for annual reporting periods beginning after December 15, 2017. The Company is currently assessing the impact that adopting these new accounting standards will have on the consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation: Improvements to Employee Share-Based Payment Accounting*. This ASU requires excess tax benefits and tax deficiencies, which arise due to differences between the measure of compensation expense and the amount deductible for tax purposes, to be recorded directly through the income statement as a component of income tax expense. Under current GAAP, these differences are generally recorded in additional paid-in capital and thus have no impact on net income. The change in treatment of excess tax benefits and tax deficiencies will also impact the computation of diluted earnings per share, and the cash flows associated with those items will be classified as operating activities on the statement of cash flows. The ASU will permit certain elective changes associated with stock compensation accounting. For example, companies can elect to account for forfeitures of awards as they occur rather than projecting forfeitures in the accrual of compensation expense. In addition, the ASU increases the proportion of shares an employer is permitted (though not required) to withhold on behalf of an employee to satisfy the employee's income tax burden on a share-based award without causing the award to become subject to liability accounting. This ASU will become effective for the Company on January 1, 2018 and the Company is in the process of evaluating its impact. Upon adoption, the cumulative amounts associated with previous excess tax benefits will be reclassified from additional paid-in capital to retained earnings.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which increases transparency and comparability by recognizing a lessee's rights and obligations resulting from leases by recording them on the balance sheet as lease assets and lease liabilities. The new standard requires the lessee to classify leases as either finance or operating based on the principle of whether or not the lease is effectively a financed purchase by the lessee. The classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease. This ASU will become effective for the Company on January 1, 2020 and the Company is currently assessing the impact of this guidance on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities.* ASU 2016-01 addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The Company adopted the provision of the standard which permits the omission of fair value disclosures for financial instruments carried at amortized cost. The remaining provisions of the standard become effective in the annual reporting period beginning after December 15, 2018, including interim reporting periods. The Company does not expect the remaining provisions of ASU 2016-01 to have a material effect on the Company's consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*, which requires all deferred tax assets and liabilities to be classified as noncurrent on the balance sheet. The guidance in ASU 2015-17 is effective for the fiscal year, and interim periods within that fiscal year, beginning after December 15, 2017, with early adoption permitted. The guidance is a change in financial statement presentation only and will not have a material impact on the consolidated financial position, results of operations, or cash flows.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. ASU 2015-11 changes the measurement principle for inventories valued under the First-In, First-Out (FIFO) or weighted-average methods from the lower of cost or market to the lower of cost or net realizable value. Net realizable value is defined by the FASB as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 does not apply to inventory that is measured using Last-In, First-Out (LIFO) or the retail inventory method. This guidance is applicable for reporting periods beginning after December 15, 2016 with early adoption permitted. The adoption of this standard will not have a material impact on the consolidated financial statements.

(e) Business Combinations

CompuCom has recorded all acquisitions using the purchase method of accounting in accordance with the FASB's accounting guidance for business combinations and, accordingly, included the results of acquired businesses' operations in CompuCom's consolidated results as of the date of each acquisition. CompuCom allocates the purchase price of its acquisitions to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess purchase price over those fair values is recorded as goodwill. The Company's policy for costs triggered by a change in control is not to establish a liability until the business combination is consummated. See Note 2, *Acquisitions*, for more information.

(f) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash, but may also include highly liquid, temporary cash investments having original maturity dates of three months or less. Cash equivalents are valued at cost, which approximates fair value.

(g) Restricted Cash Instruments

Restricted cash consist primarily short term cash term deposits having original maturity dates of twelve months or less that serve as a collateral to our letters of credit. Restricted cash is valued at cost, which approximates fair value. Restricted cash was $1.1 million at December 31, 2016.

(h) Inventories

Inventories consist of inventory held for resale to our Product customers, as well as spare parts maintained to perform future repair services for our Service customers. We value our inventory at the lower of average cost or market through the establishment of loss reserves. The Company continually assesses the appropriateness of inventory valuations giving consideration to obsolete and slow-moving inventory. Product inventories were $19.3 million at December 31, 2016. Service inventories were $5.7 million at December 31, 2016. All inventory held as of December 31, 2016, was considered to be finished goods inventory.

(i) Allowance for Doubtful Accounts

CompuCom records allowances for accounts receivable based upon a specific review of outstanding invoices and unbilled accounts receivable, known collection issues, and historical experience. Reserves for uncollectible trade receivables are established when collection of payments of amounts due from clients is deemed improbable. Indicators of improbable collection include client bankruptcy, client litigation, industry downturns, client cash flow difficulties, or ongoing service or billing disputes. The allowance for doubtful accounts was $3.2 million at December 31, 2016.

(j) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Provision for depreciation is calculated using the straight-line method. The ranges of estimated useful lives of the assets are as follows:

	Years
Computer equipment	1 to 5
Computer software and licenses	1 to 5
Furniture and other equipment	2 to 10
Leasehold improvements	2 to 5*
Buildings	25

* Leasehold improvements are depreciated over two to five years or the term of the lease, whichever is shorter.

In accordance with ASC 350-40, *Internal Use Software*, certain costs related to the development or purchase of internal use software are capitalized and depreciated over the estimated useful life of the software. Costs incurred for upgrades and enhancements, which will not result in additional functionality, are expensed as incurred. We capitalized software costs of $3.3 million for the year ended December 31, 2016, which are depreciated over five years once placed into service. These costs were incurred primarily in the purchase and development of our various internal enterprise resource planning software solutions. Capitalized interest in connection with the development of internal use software was $0.2 million for the year ended December 31, 2016. The depreciation of our internal use software is included in depreciation expense.

(k) Goodwill and Indefinite-Lived Purchased Intangible Assets

Costs in excess of the fair value of tangible and other intangible assets acquired and liabilities assumed in a business combination are recorded as goodwill, and these excess costs are allocated between the Company’s reporting units: Service, Product, and Clearpath. ASC 350, *Intangibles - Goodwill and Other*, requires that companies test goodwill and indefinite-lived assets for impairment at least annually, as opposed to amortizing the balances over a finite period of time. The Company evaluates goodwill and indefinite-lived intangible assets on an annual basis (October 1) and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable.

The preparation of the annual impairment analysis requires management to make significant estimates and assumptions with respect to the determination of fair values of reporting units and tangible and intangible assets. These estimates and assumptions may differ significantly from period to period. Estimates and assumptions include the Company's operating forecasts, revenue growth rates, risk-commensurate discount rates, probability-weighted scenarios, customer retention rates and return on assets. A significant amount of judgment is involved in determining if an indicator of impairment has occurred between annual testing dates. Such indicators may include, among others: a significant decline in expected future cash flows; a significant adverse change in legal factors or in the business climate; unanticipated competition; the testing for recoverability of a significant asset group within a reporting unit; and reductions in growth rates. Any adverse change in these factors could have a significant impact on the recoverability of goodwill or indefinite-lived assets.

Goodwill impairment testing is performed at a reporting unit level and is a multi-step process. In the first step, the Company can elect to perform a qualitative assessment of each reporting unit to determine whether facts and circumstances support a determination that their fair values are greater than their carrying values. If the qualitative analysis is not more likely than not, or if the Company elects to proceed directly with quantitative testing, the Company determines the fair value of its reporting units using combinations of both the income and market valuation approaches and then compares the fair value of each reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and the Company is not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the Company must determine the implied fair value of the reporting unit's goodwill and compare it to the carrying value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then an impairment loss equal to the difference must be recorded.

ASC 350 also requires that the fair value of indefinite-lived purchased intangible assets be estimated and compared to the carrying value. An impairment loss is recognized when the estimated fair value of the indefinite-lived purchased intangible assets is less than the carrying value.

(l) Long-Lived Assets Including Finite-Lived Intangible Assets

CompuCom's finite-lived intangible assets are attributed primarily to customer relationships and contracts. Intangible assets with definite useful lives are amortized on a straight-line basis over the length of the contract or benefit period, generally ranging from two months to twenty years. We review all long-lived assets, including property, equipment, and finite-lived intangible assets, for impairment in accordance with ASC 360-1, *Property, Plant, and Equipment,* whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An asset is considered impaired if its carrying amount exceeds the undiscounted future net cash flow the asset is expected to generate. If an asset or asset group is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value.

(m) Financing Arrangements

Financing Expenses, Net

Financing expenses consist of costs incurred on borrowings under CompuCom's financing arrangements, net of interest earnings from the investment of available cash.

Debt Issuance Costs

Costs associated with the issuance of debt instruments are presented as a direct deduction from the carrying amount of that debt liability, while debt issuance costs related to line-of-credit arrangements will be presented as an asset. All debt issuance costs are amortized using the effective interest method over the respective term of the debt instruments.

(n) Revenue Recognition

CompuCom recognizes revenue in accordance with ASC 605, *Revenue Recognition*. If a contract involves the provision of a single element, revenue is generally recognized when the product or service is provided. Revenue is deferred if it has been billed but services have not been provided. If the service is provided evenly during the contract term but service billings are irregular, revenue is recognized on a straight-line basis over the contract term. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed and determinable, and collectability is reasonably assured.

Service Revenue

Service revenue, also referred to as IT services revenue, is composed of various offerings. The Company's primary IT service offerings include end user computing, data center management, service desk, network infrastructure, IT workforce solutions, mobile device management, and cloud services. Revenue earned from services is recognized ratably over the contractual period or as services are performed. Revenue in excess of billings on service contracts is recorded as unbilled receivables. Billings in excess of revenue recognized on service contracts are recorded as deferred revenue until revenue recognition criteria are met.

Product Revenue

Product revenue, also referred to as procurement and logistics services revenue, consists of multi-vendor procurement services and support for a wide array of technologies, including personal computer products, certain Unix-based systems, servers, networking and storage products, peripherals, and mobile and wireless computing devices. Product revenue also includes software-related products, licenses and agency fees, complex configuration and imaging, vendor warranty contracts, and services provided in support of certain manufacturers' direct fulfillment initiatives. Revenue is recognized when title and risk of loss transfers to the customer unless customer acceptance is uncertain or significant obligations remain. Provision for estimated product returns, which historically have been immaterial, is made at the time the related revenue is recognized. Shipping and handling revenues are included in product revenues, and related costs are included in Product costs.

Multiple-Element Arrangements

When elements such as hardware, software and services are contained in a single arrangement, or in related arrangements with the same customer, CompuCom allocates revenue to each element based on its relative fair value, provided that such element meets the criteria for treatment as a separate unit of accounting. The amount of revenue allocated to each element is limited to the amount that is not contingent upon the delivery of another element in the future. Revenue is then recognized for each element as described above for a single-element contract.

Gross versus Net Revenue and Related Costs

The FASB has issued authoritative guidance that prescribes when resellers should report revenue and related costs on a gross basis, and when revenue and related costs should be presented on a net basis in the financial statements. We present revenue and related costs on a net basis where CompuCom's role in the transaction is deemed to be that of an agent. All other revenue, where CompuCom is deemed to be the principal in the transaction, is recognized on a gross basis.

Deferred Contract Costs

CompuCom recognizes costs associated with Service contracts as incurred. However, direct costs incurred related to the transition phase of the contract are deferred and amortized on a straight-line basis over the initial contract term. These costs consist primarily of internal and external costs directly related to transition or set-up activities necessary to enable delivery of the contractual services. These costs are regularly monitored for recoverability, and impairment losses are recorded when projected remaining undiscounted cash flows of the related contract are not sufficient to recover the carrying amount of the deferred contract costs.

Deferred Revenue

Deferred revenue principally consists of maintenance contracts that have been paid in advance. In addition, deferred revenue also represents amounts that have been invoiced to customers, but are not yet recognizable as revenue because one or more of the conditions for revenue recognition have not been met. Approximately 93% of the deferred revenue recorded as of December 31, 2016 will be recognized within one year.

(o) Vendor Incentive Programs

CompuCom participates in certain manufacturers' customer-specific rebate programs. Under these programs, CompuCom is required to pay a higher initial amount for the product and claim a rebate from the manufacturer to reduce the final cost. These rebates are passed on to the customer in the form of a reduced sales price. The amounts due from manufacturers under such customer-specific rebate programs, referred to as vendor receivables, are included in our *Receivables, net* balance on the Consolidated Balance Sheets as of December 31, 2016. Outstanding vendor receivables were insignificant for all periods presented.

CompuCom participates in certain programs provided by various suppliers that enable it to earn volume incentives. These incentives are generally earned by achieving quarterly sales targets. The amounts earned under these programs are recorded as a reduction of cost of revenue when earned. The Company also receives vendor reimbursements that offset certain training, promotional and marketing costs incurred by the Company. Any amounts received in excess of the actual amounts incurred are recorded as a reduction of cost of revenue. Both amounts earned under volume incentive programs and amounts to be reimbursed by vendors are recorded as *Receivables, net* on the Consolidated Balance Sheets.

(p) Advertising

CompuCom recognizes expenses for advertising costs as incurred. These costs were $4.1 million for the year ended December 31, 2016.

(q) Taxes

CompuCom accounts for income taxes in accordance with the provisions of ASC 740-10, *Income Taxes.* For United States federal income tax purposes, the Company is a subsidiary in a consolidated income tax return. However, the Company is applying the separate return method whereby the current and deferred taxes of the Company are allocated as if it were a separate taxpayer. The tax sharing agreement between the companies differs from the method of allocation on the consolidated financial statements and as such, any differences between the expected settlement amount and the amount due according to the tax sharing agreement is treated as a capital contribution by THL Holdings via Parent. ASC 740-10 requires companies to recognize deferred tax assets and liabilities based on the differences between financial reporting and tax bases of assets and liabilities. These differences are measured using the enacted tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. A valuation allowance is established against net deferred tax assets, if based on the weighted available evidence, it is more likely than not that all or a portion of the deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the tax rates are changed.

The Company has adopted ASC 740-10-25, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company recognizes the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. The tax benefits recognized from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement. To the extent that the expected tax outcome of these matters changes, such changes in estimates will impact the income tax provision in the period in which such determination is made. See Note 13, *Income Taxes*, for more information.

(r) Employee Benefit Plans

The Company sponsors employee benefit plans that cover substantially all of its employees, and the costs of these plans are dependent upon several factors and assumptions, such as employee demographics, plan design, the level of cash contributions made to the plans, discount rates, the expected long-term rate of return on plan assets, mortality, and health care cost trends. In accordance with ASC 715, *Compensation - Retirement Benefits*, changes in post retirement benefits other than pension liabilities associated with these factors are not immediately recognized as post retirement benefit costs in the Consolidated Statements of Operations, but generally are recognized in future years over the remaining average service period of plan participants. ASC 715 requires the Company to recognize an asset or liability for the overfunded or underfunded status of a benefit plan. The asset or liability to be recognized equals the difference between the fair value of the plan's assets and the benefit obligation. See Note 17, *Pensions and Other Post Retirement Benefit Plans*, for further discussion of the Company's benefit plans.

(s) Employee-Related Self-Insurance Reserves

We are self-insured, subject to certain retention limits, for losses related to workers' compensation and employee health care claims. The expected ultimate cost of claims is estimated based upon analysis of historical data and actuarial estimates. The reserve for self-insurance is included in *Accrued liabilities* and totaled $10.0 million at December 31, 2016.

(t) Derivative Instruments and Hedging Activities

We recognize all derivative financial instruments in the consolidated financial statements at fair value. Changes in the fair value of derivative financial instruments that qualify for hedge accounting are recorded in the Consolidated Statements of Comprehensive Loss as an adjustment to the carrying value of the hedged item. Changes in fair values of derivatives not qualifying for hedge accounting are reported in earnings.

We maintain internal controls over our hedging activities, which include policies and procedures for risk assessment and the approval, reporting and monitoring of all derivative financial instrument activities. We monitor our hedging positions and creditworthiness of our counter-parties and do not anticipate losses due to our counter-parties' nonperformance. We do not hold or issue derivative financial instruments for trading or speculative purposes. To qualify for hedge accounting, derivatives must meet defined correlation and effectiveness criteria, be designated as a hedge and result in cash flows and financial statement effects that substantially offset those of the position being hedged.

(2) Acquisitions

On August 1, 2016, the Company acquired 40% of the membership interests in Clearpath Holdings, LLC, a regional value added reseller and integrator of data center-focused technologies. We determined that we are the primary beneficiary of Clearpath because we have the right to direct the activities that most significantly impact the entity's economic performance as result of the Company's majority voting rights and significant management representation. Accordingly, we consolidate the results of Clearpath. The fair value of the consideration paid in cash for this acquisition, net of cash acquired, was $10.8 million. Under the terms of the agreement, the Company may acquire the remainder of the equity interests in Clearpath by the third anniversary of the closing through a series of call and put options. The Company is required to purchase an additional 15% of the membership interests in Clearpath in the second quarter of 2017. As this represents an obligation to mandatorily redeem a portion of the noncontrolling interest for cash, the Company concluded it should be presented as a liability under ASC 480. As such, the Company recorded $5.2 million in *Accrued liabilities* in the Consolidated Balance Sheets which is based on the actual performance of the business in 2016. The remaining noncontrolling interest is subject to a put option that is outside the control of the Company. As such, it is deemed a redeemable noncontrolling interest and presented as *Redeemable noncontrolling interest* on the Consolidated Balance Sheets. The fair value of the consideration paid for the membership interests in Clearpath was allocated to the assets purchased and liabilities assumed, based on their estimated fair values as of the acquisition date, with any excess recorded as goodwill.

The process for estimating the fair values of identified intangible assets and assumed liabilities requires the use of judgment to determine the appropriate assumptions. The Company's purchase price allocation for Clearpath is preliminary and subject to revision as additional information about the fair value of the assets and liabilities becomes available. ASC 805 defines the measurement period by which purchase price adjustments should be finalized as not to exceed one year from the acquisition date. The amounts related to the acquisition are allocated to the assets acquired and the liabilities assumed and are included in the Company's Consolidated Balance Sheet as of December 31, 2016. The Company incurred $0.2 million of acquisition related costs for year ended December 31, 2016 which are included in *Acquisition related costs* in the Consolidated Statements of Operations.

The table below presents the estimated fair value of assets acquired and liabilities assumed on the acquisition date in accordance with ASC 805 (in thousands):

Cash	$ 8
Other current assets	12,503
Property and equipment	1,563
Goodwill	7,983
Identifiable intangible assets	16,300
Mandatorily redeemable noncontrolling interest liability	(5,189)
Other current liabilities	(11,034)
Long-term liabilities	(408)
Redeemable noncontrolling interest	(10,953)
Total purchase price	$ 10,773

(3) Stock Compensation Expense

In August 2013, Intermediate Holdings implemented a management stock compensation plan, whereby certain members of the Company's management are eligible for nonqualified employee stock options. Total stock compensation expense related to awards granted was $0.4 million for the year ended December 31, 2016, which is included in *Selling, general and administrative expenses* in the Consolidated Statements of Operations.

(4) Prepaid Assets

The following is a summary of short term prepaid assets at December 31, 2016 (in thousands):

	December 31, 2016
Prepaid subcontractor fees	$ 243
Prepaid ITO support	5,916
Prepaid maintenance	6,057
Prepaid professional and consulting fees	206
Prepaid marketing and advertising	53
Prepaid training, memberships and subscriptions	202
Prepaid insurance	1,084
Prepaid rent	812
Other	1,707
Total	$ 16,280

(5) Property and Equipment

The following is a summary of property and equipment at December 31, 2016 (in thousands):

	2016
Computer equipment	$ 23,662
Computer software and licenses	42,148
Leasehold improvements	14,913
Furniture and other equipment	7,731
Buildings	12,570
Subtotal	101,024
Less accumulated depreciation	(40,767)
Total	$ 60,257

For build-to-suit lease arrangements, the Company evaluates lease terms to assess whether, for accounting purposes, it should be "deemed owner" of the construction project. Under build-to-suit lease arrangements, the Company establishes an asset and a corresponding financing obligation for the estimated construction costs of the shell facility. Improvements to the facilities during the construction project are capitalized, and, to the extent funded by a tenant improvement allowance, the financing obligation is increased. Upon completion of construction and occupancy of the facility, the Company assesses whether these arrangements qualify for sales recognition under the sale-leaseback accounting guidance. If the Company does not comply with the provisions needed for sale-leaseback accounting, the lease will be accounted for as a financing obligation and lease payments will be attributed to 1) a reduction of the principal financing obligation; 2) imputed interest expense; and 3) land lease expense representing an imputed cost to lease the underlying land of the facility. In addition, the underlying building asset will be depreciated over the building's useful life and, at the conclusion of the lease term, the Company would de-recognize the net book values of both the asset and financing obligation.

The Company began construction on two newly leased office spaces in April 2016 for which we were "deemed owner" of the construction projects for accounting purposes only.

Upon completion of the construction of the Plano facility in July 2016, the Company evaluated derecognition of the asset and liability under the provisions for sale-leaseback transactions. The Company concluded that it had forms of continuing economic involvement in the facility, and therefore did not comply with the provisions for sale-leaseback accounting. As a result, the lease will be accounted for as a financing obligation and the lease payments will be applied as discussed above. In addition, the Company recorded the underlying building asset and will depreciate it over a useful life of 25 years. As of December 31, 2016, the Company has recorded a $12.6 million asset in *Property and equipment, net* and a $9.6 million liability in *Obligations under build-to-suit lease transactions* on our Consolidated Balance Sheets.

Upon completion of the construction of the Mexico City facility in December 2016, the Company evaluated derecognition of the asset and liability under the provisions for sale-leaseback transactions. The Company concluded it lacked continuing economic involvement in the facility, and therefore did comply with the provisions for sale-leaseback accounting. As a result, the Company derecognized the asset and corresponding liability associated with the landlord incurred construction costs. The lease will be accounted for as an operating lease.

Depreciation expense related to property and equipment was $9.8 million for the year ended December 31, 2016.

(6) Goodwill

The purchase price for all business combinations is allocated to the assets acquired and liabilities assumed based upon their estimated fair values. The acquisition of Clearpath in 2016 as discussed more fully in Note 2, Acquisitions, resulted in $8.0 million of goodwill. The primary element that generated the goodwill is the highly trained and knowledgeable workforce. The following table provides a rollforward of the Company's goodwill balance, allocated by reporting unit (in thousands):

	Service	Product	Clearpath	Total
Balance at December 31, 2015	$ 275,634	—	—	275,634
Additions	—	—	7,983	7,983
Impairments	(109,569)	—	—	(109,569)
Balance at December 31, 2016	$ 166,065	—	7,983	174,048

The Company has approximately $9.9 million of goodwill that is deductible for income tax purposes.

In accordance with ASC 350, the Company tests goodwill and indefinite-lived assets for impairment at least on an annual basis. The Company recorded a goodwill impairment of $109.6 million in its Service segment from the annual impairment tests conducted in 2016. The impairment charges were incurred when the reporting units experienced lower profitability than management's previous expectations. The impairment charge is included as *Asset impairments* in the Consolidated Statements of Operations.

(7) Identifiable Intangible Assets

Identifiable intangible assets result from the purchase price allocations of the Company's business combinations. Intangible assets with definite useful lives are amortized over their respective estimated useful lives to their estimated residual values. Indefinite-lived intangible assets are evaluated for impairment annually or when events or circumstances warrant a valuation analysis. The following tables provide a summary of CompuCom's identifiable intangible assets as of December 31, 2016 (in thousands):

		December 31, 2016		
	Amortization period	Gross carrying value	Accumulated amortization	Net
Amortizable intangible assets:				
Customer-related	1 – 20 years	$ 537,700	(214,443)	323,257
Indefinite-lived intangible assets:				
Trade name	N/A	125,000	N/A	125,000
Total net identifiable intangible assets		$662,700	(214,443)	448,257

Amortization expense related to intangible assets with definite useful lives was $25.0 million for the year ended December 31, 2016.

Expected amortization expense related to intangible assets with definite useful lives for years subsequent to December 31, 2016 are as follows (in thousands):

2017	$ 24,041
2018	24,041
2019	23,944
2020	23,808
2021	23,808
2022 and beyond	203,615
	$323,257

(8) Equity Method Investments

In December 2015, the Company purchased an undivided 20% interest in each of the assets of High Performance Technologies, LLC (HPT) via the acquisition of 2,000,000 units for $1.8 million. HPT is a regional value added reseller specializing in the delivery of high performance data solutions. The carrying amount in the investment in HPT was $1.4 million at December 31, 2016, and is included in *Other long-term assets* on the Consolidated Balance Sheet and accounted for as an equity method investment. Under this method of accounting, the Company recognizes its share of the investments' earnings and losses, which is included in *Other income, net* on the Consolidated Statements of Operations.

(9) Accrued Liabilities

The following is a summary of accrued liabilities at December 31, 2016 (in thousands):

	December 31, 2016
Employee related accruals	$ 40,402
Deferred revenue	19,547
Accrued vendor refunds	3,706
Accrued interest	3,531
Accrued sales and property tax	6,101
Accrued sub-contractor expense	9,094
Accrued customer rebates and reimbursements	2,675
Vendor contracts accrual	6,472
Accrued occupancy costs	481
Accrued federal and state income taxes	514
Accrued professional services	4,529
Accrued freight	1,352
Lease termination accrual	5,503
Mandatorily redeemable noncontrolling interest liability	5,189
Other	12,846
Total	$ 121,942

(10) Financing Arrangements

The following is a summary of amounts outstanding under CompuCom's financing arrangements at December 31, 2016 (in thousands):

	December 31, 2016
Long-term debt:	
Term Loan	$ 559,983
Senior Notes	215,000
Securitization	—
Notes payable	7,543
Other debt	2,342
Total debt obligations	784,868
Less unamortized discount on Term Loan	(1,471)
Less unamortized debt issuance costs	(13,016)
Less current portion of Term Loan	—
Less current portion of notes payable	(4,581)
Less current portion of other debt	(2,015)
Total long-term debt	$ 763,785

Interest expense on long-term debt borrowings was $46.2 million for the year ended December 31, 2016, and is included in *Financing expenses, net*, in the Consolidated Statements of Operations.

Interest income was $0.3 million for the year ended December 31, 2016, and is included in *Financing expenses, net*, in the Consolidated Statements of Operations.

Expected maturities of long-term debt for years subsequent to December 31, 2016 are as follows (in thousands):

2017	$ 6,596
2018	204
2019	639
2020	561,153
2021	216,276
	$784,868

(a) Term Loan

On May 9, 2013, the Company entered into a $605.0 million Term Loan in connection with the Acquisition. The Term Loan was issued at 99.5% of face value, resulting in net proceeds of $602.0 million. Amortization of the debt discount was $0.4 million for all periods presented and is included in *Financing expenses, net* in the Consolidated Statements of Operations. The Term Loan accrues interest at a rate of 3.25%, plus the greater of 1% or an adjusted LIBOR rate. In addition, the Company is required to make annual principal payments based on an excess cash flow calculation defined in the debt agreement. The excess cash flow calculation is the maximum mandatory prepayment for which the Company is obligated; however, each lender can elect to decline all of its applicable percentage of such prepayment. These payments are due five business days after the date on which the financial statements are required to be delivered. In accordance with the cash flow calculation based on the Company's results for the year ended December 31, 2016, the Company is not required to make a principal payment in 2017. Any mandatory prepayments made by the Company shall be applied against the remaining scheduled quarterly principal payments. Due to the mandatory prepayments discussed above, we are not required to make any quarterly principal payments for the remainder of the Term Loan. The weighted average annualized interest rate was 4.3% for all periods presented.

The Term Loan has a maturity date of May 9, 2020 and is unconditionally guaranteed by Parent and each of its direct and indirect present and future domestic subsidiaries, except for certain excluded subsidiaries. The Term Loan is collateralized by a grant of security interest in, subject to certain customary exceptions, each credit party's present and future tangible and intangible assets as noted in the agreement.

(b) Senior Notes

On May 9, 2013, in connection with the Acquisition, the Company issued senior notes (Senior Notes) via an initial purchaser to qualified institutional buyers in an aggregate principal amount of $225.0 million under the terms of an indenture (Indenture) pursuant to Rule 144A under the Securities Act of 1933 (the Securities Act) and outside the United States in accordance with Regulation S under the Securities Act. The Senior Notes are exempt from registration under the Securities Act or any state securities laws. The Senior Notes bear interest at a rate of 7.0% per year, and interest is payable on May 1 and November 1 of each year. The Senior Notes have a maturity date of May 1, 2021, and they are fully and unconditionally guaranteed, jointly and severally on a senior unsecured basis by each of the Company's subsidiaries that guarantee the Term Loan. These Senior Notes provide optional redemption privileges at redemption prices as set forth in the Indenture.

In May 2016, the Company entered into a transaction with a Senior Note holder to purchase an aggregate principal amount of $10.0 million of Senior Notes for $4.5 million. In connection with this transaction, the Company recorded a gain on debt extinguishment of $5.3 million comprised of a $5.5 million gain from the Senior Notes purchased, offset by a write-off of $0.2 million of unamortized debt issuance costs related to the purchased Senior Notes. The Company funded the transaction using cash on hand. As a result of the transaction, future interest expense will be reduced by $3.3 million for the remainder term of the Senior Notes.

(c) Receivables Securitization Facility

The Receivables Securitization Facility (Securitization) is a financing vehicle utilized by the Company because it offers attractive rates relative to other financing sources. The Securitization's pricing is based on LIBOR plus 1.5%. The short-term interest rate, inclusive of the spread, was 2.0% at December 31, 2016. Under this arrangement, the Company and its wholly owned Canadian subsidiary sell their respective US and Canadian eligible trade accounts receivable, not to exceed $150.0 million, to their respective wholly owned, consolidated, special purpose finance corporations, CSI Funding, Inc. and CSI Funding Canada Co. (the SPCs). The SPCs have sold and, subject to certain conditions, may from time to time sell an undivided ownership interest in the pool of purchased receivables to financial institutions. As collections reduce receivable balances sold, CompuCom may sell interests in new receivables to bring the amount sold up to the maximum allowed. The proceeds from the sale of receivables are used primarily to fund working capital requirements. CompuCom is retained as servicer of the receivables; however, the cost of servicing is not material. All securitized accounts receivable, which approximate fair value due to the short-term nature of the instruments, as well as the related debt, are reflected on the Company's Consolidated Balance Sheet as of December 31, 2016.

The Company also has outstanding letters of credit totaling $27.3 million at December 31, 2016. These letters of credit are issued in connection with our self-insurance programs, as well as certain vendors and customers. We have elected to pledge a portion of the line under the Securitization as collateral for our letters of credit. As such, the availability under the Securitization was $79.6 million at December 31, 2016.

(d) Debt Issuance Costs

The Company has incurred debt issuance costs of $28.4 million for the Term Loan, Senior Notes, and amended Securitization. Debt issuance costs for the Term Loan and Senior Notes were $13.0 million at December 31, 2016, and were applied as a direct reduction to the carrying amount of the respective debt in the Consolidated Balance Sheets. Debt issuance costs for the Securitization was $0.8 million at December 31, 2016, and are included in *Other long-term assets* in the Consolidated Balance Sheets. Amortization of debt issuance costs approximated $3.9 million for the year ended December 31, 2016, and is included in *Financing expenses, net* in the Consolidated Statements of Operations. Estimated future amortization of debt issuance costs for years subsequent to December 31, 2016 are as follows (in thousands):

2017	$ 3,905
2018	3,905
2019	3,905
2020	1,823
2021	227
	$13,765

(e) Debt Covenants

The Securitization requires the Company to comply with a minimum interest coverage ratio covenant when the Securitization is 90% utilized for 30 consecutive days. The Company is not required to comply with the minimum interest coverage ratio covenant if the utilization of the Securitization falls below 90% for 10 consecutive days. We are not subject to the minimum interest coverage ratio covenant as of December 31, 2016.

We are not subject to any other financial covenants on our Term Loan, Senior Notes, and Receivables Securitization Facility as of December 31, 2016.

(f) Notes Payable

In 2015, the Company issued two notes for a total of $6.0 million from a third party financing company in order to purchase software licenses and equipment. The Company made principal and interest payments of $4.4 million in 2016. We are required to make future principal and interest payments of $1.3 million in 2017. The notes bear a weighted average interest rate of approximately 6.0%.

In 2016, the Company issued two notes for $11.8 million from vendors in order to finance warranty service and software costs. The Company made principal and interest payments of $5.7 million in 2016. We are required to make future principal and interest payments of $7.5 million in 2017 and beyond. The notes bear a weighted average interest rate of approximately 8.0%.

(g) Other debt

In connection with the acquisition of 40% of the membership interests in Clearpath in the third quarter of 2016, the Company consolidated Clearpath's outstanding bank debt, consisting of a line of credit facility and a note payable. As of December 31, 2016, the outstanding balances on the credit facility and note payable were $1.8 million and $0.5 million, respectively. The credit facility matures on February 15, 2017 and pricing is based on Wall Street Journal Prime. The note matures on July 20, 2019 and bears a weighted average interest rate of 4.25%. The Company made an insignificant amount of principal and interest payments related to these debt obligations for the year ended December 31, 2016.

The line of credit facility requires Clearpath to comply with a minimum adjusted tangible net worth of $2.2 million. As of December 31, 2016, Clearpath is in compliance with all debt covenants and is not subject to any other financial covenants on its debt instruments.

(11) Distributions

In July 2016, the Company made a cash distribution of $3.1 million to our Parent for utilization of the Parent's stand-alone net operating loss carryforwards for the year ended December 31, 2014 and the 237 day period ended December 31, 2013. For United States federal income tax purposes, the Company is a subsidiary in a consolidated income tax return. However, the Company applies the separate return method whereby the current and deferred taxes of the Company are allocated as if it were a separate taxpayer. The tax sharing agreement between the companies differs from the method of allocation on the consolidated financial statements and as such, the differences between the expected settlement amount and the amount due according to the tax sharing agreement were treated as capital contributions by THL Holdings through our Parent. However, the Company has always intended to reimburse THL Holdings for the utilization of their net operating loss carryforwards as allowed in both the Term Loan and Senior Note debt agreements.

(12) Segment Information

Operating segments are components of an enterprise for which separate discrete financial information is available for evaluation by the Company's Chief Operating Decision Maker in making decisions on how to allocate resources and assess performance. The Company's Chief Executive Officer is the Chief Operating Decision Maker.

CompuCom measures segment earnings as operating income, defined as income before financing expenses, net, and income taxes. All significant inter-segment activity has been eliminated. Amounts included in the "Other" column include all items not specifically allocated to each segment, including but not limited to acquisition related costs, management fees paid to Parent and other miscellaneous expenses of a non-recurring nature.

Operating results	December 31, 2016			
	Service	Product	Other	Total
	(In thousands)			
Revenue	$883,413	229,967	—	1,113,380
Income (loss) from operations	(91,178)	15,462	(4,945)	(80,661)
Gain on debt extinguishment	—	—	5,299	5,299
Other income	—	1,254	2,127	3,381
Financing expenses, net	$ —	—	(45,939)	(45,939)
Loss before income taxes				$ (117,920)

Revenue from foreign sources is primarily generated in Canada. Revenue, classified by the major geographic areas in which CompuCom operates, was as follows (in thousands):

	Year ended December 31, 2016
U.S.	$ 909,465
Non-U.S.	203,915
Total revenue	$ 1,113,380

Net property and equipment, classified by the major geographic areas in which CompuCom operates, were as follows as of December 31, 2016 (in thousands):

	December 31, 2016
U.S.	$ 46,295
Non-U.S.	13,962
Total net property and equipment	$ 60,257

(13) Income Taxes

The Company is subject to corporate income taxes in the U.S. Its subsidiaries included in these financial statements are subject to income taxes in multiple jurisdictions.

The provision for income taxes is based on the following pre-tax loss (in thousands):

	Year ended December 31, 2016
United States	$ (144,126)
Foreign	26,206
Total pre-tax loss	$ (117,920)

The provision for income taxes is comprised of the following (in thousands):

	Year ended December 31, 2016
Current:	
Federal	$ —
Foreign	11,810
State	395
Deferred, primarily federal	(2,460)
Income tax expense (benefit)	$ 9,745

Total income taxes differed from the amounts computed by applying the U.S. Federal income tax rates of 35% to loss before income taxes as a result of the following (in thousands):

	Year ended December 31, 2016
Computed “expected” tax expense (benefit)	$ (41,268)
State taxes, net of U.S. federal income tax expense (benefit)	(411)
Effect of non-U.S. operations	(1,141)
Valuation allowance	13,434
Permanent items:	
Meals and entertainment	414
Goodwill impairment	37,019
Noncontrolling interest	(271)
Other, net	1,969
Income tax expense	$ 9,745
Effective tax rate	-8.3%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2016, are presented below (in thousands):

	December 31, 2016
Deferred tax assets:	
Net operating loss	$ 14,789
Foreign tax credits	28,429
AMT and other credits	1,878
Inventories, principally due to additional costs inventoried for tax purposes	613
Accounts receivable, principally due to allowance for doubtful accounts	1,425
Deferred revenue	1,889
Self-insurance accrual	4,100
Non-current lease accrual	1,552
Accrued bonuses	2,873
Revenue reserve	5
Other accrued expenses	10,407
Translation adjustment	1,704
Other	6,713
Total deferred tax assets	76,377
Less valuation allowance	(26,831)
Net deferred tax assets	49,546
Deferred tax liabilities:	
Accelerated depreciation	(4,347)
Intangible assets	(162,067)
Offset to Canadian deferreds	(2,317)
Other	(522)
Total deferred tax liabilities	(169,253)
Net deferred tax liabilities	$ (119,707)

At December 31, 2016, the Company has available US net operating loss carryforwards totaling approximately $32.2 million, which expire in the years 2017 to 2034. Additionally, the Company has net operating loss carryforwards available in various states that will begin expiring in 2017, as well as a Mexico net operating loss carryforward totaling approximately $1.3 million which will begin expiring in the year 2024. Finally, the Company has an AMT credit carryforward of approximately $2.0 million, which has an indefinite carryover period, and a foreign tax credit carryforward of approximately $28.4 million, which will expire in the years 2021 to 2026. The utilization of pre-acquisition tax loss carryforwards and tax credits is limited each year under Internal Revenue Code (IRC) 382.

The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which those temporary difference become deductible. The Company has recorded a valuation allowance of $26.8 million at December 31, 2016 related to its deferred tax assets, of which $8.3 million relates to federal, state, and Mexico net operating losses. The remaining $18.5 million is related to foreign tax credits. Prior to expiration of any foreign tax credits, the Company will elect to deduct foreign taxes and reverse any foreign tax credit necessary to avoid such expiration. The amount of the remaining foreign tax credits after applying the valuation allowance is the equivalent deferred tax asset that would remain should a deduction be taken instead of a credit.

The following table provides a rollforward of the Company's unrecognized tax benefits excluding interest, penalties and related income tax benefits (in thousands):

Balance at December 31, 2015	$7,587
Reductions for tax positions of current year	(709)
Additions for tax positions of prior years	2,469
Reductions for tax positions of prior years	(594)
Settlements with tax authorities	(148)
Balance at December 31, 2016	$8,605

As of December 31, 2016, the Company had gross unrecognized tax benefits of $8.6 million, which was included in *Other long-term liabilities*, in the Consolidated Balance Sheets. Approximately $3.3 million of the unrecognized tax benefit is currently covered under an indemnification agreement with the predecessor owner, Court Square. The Company does not believe it is reasonably possible that the total amount of unrecognized tax benefits will materially change in the next twelve months. The majority of the unrecognized tax benefits at December 31, 2016, if recognized, would affect the tax rate.

The Company's policy with respect to recognition of interest and penalties on uncertain tax positions is to assess the likelihood, for each uncertain tax position, that any interest and penalties may be assessed by the relevant taxing authorities and, based on such assessment, record any significant interest and penalties as a component of income tax expense. In relation to the Company's unrecognized tax positions, the Company has recorded $1.2 million accrued interest and penalties as of December 31, 2016.

The Company's federal income tax returns are closed to examination through the tax year ended May 8, 2013, not including amended returns filed for the tax years ended December 31, 2009 and 2010, as well as tax years with net operating losses. State and other income tax returns are generally subject to examination for a period of three to five years after the filing of the respective returns. The Company and its subsidiaries have various state and other income tax returns in the process of examination or administrative appeal.

(14) Related Party Transactions

The Company conducts business with eight portfolio companies of THL. The Company recognized $21.2 million in total revenue from these related parties for the year ended December 31, 2016. At December 31, 2016, $1.9 million was outstanding from these related parties and is reflected as a *Receivable, net* on the Consolidated Balance Sheets. At December 31, 2016, $0.1 million was outstanding to these related parties and is included in *Accounts payable* on the Consolidated Balance Sheets.

In connection with the equity investments at the closing of THL's acquisition of CompuCom's Parent, CompuCom entered into a management agreement (the Services Agreement) with THL Managers VI, LLC, an affiliate of THL. Under terms of the Services Agreement, THL provides the Company with certain general business, management, administrative and financial advice. In consideration of these and other services, the Company pays an annual fee to THL in an amount per year equal to the greater of 1) $1.5 million or 2) 1.0% of Consolidated Adjusted EBITDA (as defined in the Services Agreement) for the immediately preceding fiscal year. The management fee is paid in quarterly increments. The total expense recorded for services provided by THL were $1.5 million for the period presented and is included in *Selling, general and administrative expenses* on the Consolidated Statements of Operations.

(15) Restructuring Activities

In January 2016, the Company adopted a restructuring plan designed to lower costs and drive operational efficiency (the Restructuring Plan). As of December 31, 2016, the Company estimates that it will incur aggregate pre-tax charges pursuant to the Restructuring Plan of approximately $27.0 million throughout 2016 and 2017, consisting of approximately $17.9 million related to facilities costs, $6.4 million of employee-related costs, and $2.7 million of other miscellaneous costs. The Company expects most Restructuring Plan charges will be allocated to the Service segment. The Company incurred Restructuring Plan charges of $16.3 million for the year ended December 31, 2016, and these charges were included in the total estimated $27.0 million Restructuring Plan charges disclosed above.

The following table summarizes the Restructuring Plan activity incurred to date, including accrued balances as of December 31, 2016, which is included in *Accounts payable* and *Accrued liabilities*, in the Consolidated Balance Sheets (in thousands):

	For the year ended December 31, 2016			
	Facilities	**Employee-related**	**Other**	**Total**
Liability as of December 31, 2015	$ —	—	—	—
Gross charges	11,629	4,119	545	16,293
Reclassification of unfavorable lease liability	4,158	—	—	4,158
Cash payments	(6,059)	(629)	—	(6,688)
Liability as of December 31, 2016	$ 9,728	3,490	545	13,763

(16) Leases

The following schedule shows the composition of total rental expense for all operating leases (in thousands), which is included in *Selling, general and administrative expenses* on the Consolidated Statements of Operations:

	Year ended December 31, 2016
Rental expense	$ 11,543

CompuCom has noncancelable operating leases for facilities and equipment, which expire at various dates from 2017 to 2032. Future minimum lease payments under noncancelable operating leases as of December 31, 2016 are as follows (in thousands):

2017	$ 16,683
2018	18,862
2019	13,485
2020	11,452
2021	8,771
2022 and thereafter	48,228
Total minimum payments required	$117,481

On March 31, 1999, a lease agreement was entered into between Delaware Comp LLC and the Company to lease a building in Dallas, Texas for a 20 year term ending on March 31, 2019 (the Lease Agreement). During July 2016, the Lease Agreement had not expired, but the Company vacated the premises and ceased-use as result of the effort to streamline operations during restructuring. As a result, the Company is required to establish a liability based on the remaining lease rentals, reduced by estimated sublease rentals that could be reasonably obtained for the property under ASC 420. The Company recorded a $6.4 million lease charge which is the incremental obligation in excess of the remaining unfavorable lease liability established as part of the accounting for the Acquisition. The total lease charge is included in *Restructuring costs* in the Consolidated Statements of Operations. The total remaining estimated liability as of December 31, 2016 was $9.4 million and is included in *Accrued liabilities* and *Other long-term liabilities* in the Consolidated Balance Sheets.

(17) Pensions and Other Post Retirement Benefit Plans

(a) Defined Contribution Plans

CompuCom has a defined contribution 401(k) matched savings plan (the Plan) which covers substantially all of its United States associates. The Plan allows associates to participate in the Plan on the first day of employment and contribute up to 60% of eligible compensation. CompuCom matches 50% of each participant’s qualifying contributions up to 3% of compensation. Amounts expensed relating to the Plan were $3.5 million for the year end December 31, 2016.

CompuCom Canada Co., a wholly owned subsidiary of the Company, has a defined contribution registered pension plan (the Canada Plan) which covers substantially all its Canadian associates. The Canada Plan allows for associate participation following the completion of 24 months of service. However, employees in the Quebec Province are allowed to participate in the Canada Plan upon their hire date. Eligible participants can contribute up to 12.5% of eligible compensation. Employees in Quebec can contribute up to 15.25% of eligible compensation. The Company contributes 1% of eligible pay for all members of the Canada Plan and matches 50% of each participant's qualifying contributions up to 1% of eligible compensation. Amounts expensed relating to the Canada Plan were $2.3 million for the year ended December 31, 2016.

(18) Contingencies

(a) Routine Litigation

CompuCom is involved in various claims and legal actions arising in the ordinary course of business. CompuCom records a provision for a liability when management believes that it is both probable that a liability has been incurred, and the amount of the loss can be reasonably estimated. In the opinion of management, CompuCom has adequate provisions for any such matters, and the ultimate liability, if any, resulting from such claims and pending actions will not have a material adverse effect on the Company's consolidated results of operations or financial position.

(b) Security Interests

In the normal course of business, the Company may provide liens, encumbrances, and pledges against certain inventory and vendor receivable balances.

(19) Concentration Risks

CompuCom maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Receivables from customers are generally unsecured. To reduce the concentration risk and overall risk of collection, CompuCom performs ongoing evaluations of its customers' financial condition. To ensure a receivable balance is not overstated due to uncollectibility, an allowance for doubtful accounts is maintained as required under GAAP. At December 31, 2016, no customer accounted for more than 10% of accounts receivable. No single customer accounted for more than 10% of total revenues during the years ended December 31, 2016.

CompuCom has relationships with numerous original equipment manufacturers (OEM) in support of its Product business. The loss of a single OEM as a supplier, the deterioration of its relationship with a single OEM, or any unilateral modification of the contractual terms under which CompuCom is supplied equipment and components by a single OEM could adversely affect CompuCom's revenue and gross margin.

(20) Supplemental Cash Flow Information

Supplemental disclosure of cash flow information was as follows (in thousands):

	Year ended December 31, 2016
Cash paid for income taxes, net	$ (8,417)
Cash paid for interest, net of amounts capitalized	(40,673)

Supplemental disclosure of non-cash investing and financing activities was as follows (in thousands):

	Year ended December 31, 2016
Note issued by vendor to finance operational costs (a)	$ 11,892
Property and equipment additions incurred during the period but not paid at period end	1,779
Property and equipment additions due to build-to-suit lease transactions (b)	5,797

(a) The notes issued by vendors during the period are to finance service costs and subscription based software that is operational in nature. However, as the costs were financed through a note payable, the principal repayments will be classified in the financing section of the statement of cash flows in subsequent periods.

(b) The non-cash additions to property and equipment due to build-to-suit lease transactions are the result of the accounting requirements of ASC 840, *Leases* for those construction projects for which we are the “deemed owner” of the construction project as discussed more fully in Note 5, *Property and equipment.*

(21) Supplemental Information about Changes to Accumulated Other Comprehensive Loss

An analysis in the change in balance by component of Accumulated Other Comprehensive Loss is as follows for the twelve months ended December 31, 2016 (in thousands):

Components of Accumulated Other Comprehensive Loss

	For the year ended December 31,			
	Foreign Currency Translation	Foreign Currency Hedges	Other gain	Total
Balance at December 31, 2015	$ (5,762)	(311)	43	(6,030)
Other comprehensive income (loss) before reclassifications, net of tax	243	(678)	—	(435)
Reclassifications, net of tax	—	477	—	477
Other comprehensive income (loss)	243	(201)	—	42
Balance at December 31, 2016	$ (5,519)	(512)	43	(5,988)

Reclassifications out of Accumulated Other Comprehensive Loss are presented below for the twelve months ended December 31, 2016, (in thousands):

Component Line Item	Reclassification Adjustments Year ended December 31, 2016
Foreign currency hedges	
Loss on settled hedges	$ 734
Tax impact	(257)
Total reclassifications, net of tax	$ 477

(22) Subsequent Events

The Company has evaluated all subsequent events through March 31, 2017, which represents the date our financial statements were issued, to ensure that this report includes appropriate disclosure of events both recognized in the consolidated financial statements as of December 31, 2016, and events which occurred subsequent to December 31, 2016 but were not recognized in the consolidated financial statements.

On January 19, 2017, the Company acquired certain assets of EXT-IOT, LLC, a company engaged in the business of the development, marketing, sales and implementation of an internet of things offering and portfolio in Florida and across the United States. The total purchase price included cash consideration of $2.0 million and potential future cash consideration contingent on earnings targets.

As of March 31, 2017, there were no other subsequent events which require recognition or disclosure.

Exhibit 99.2

CompuCom

Consolidated Financial Statements

September 30, 2017

CompuCom Systems, Inc.

COMPUCOM SYSTEMS, INC.

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COMPUCOM SYSTEMS, INC.
Consolidated Balance Sheets
(In thousands, except share amounts)

	September 30, 2017 (unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 42,408	63,863
Restricted cash instruments	1,162	1,080
Receivables, net	250,141	263,336
Inventories	29,432	24,961
Deferred income taxes	11,078	11,004
Prepaid assets	17,882	16,280
Other current assets	8,525	4,148
Total current assets	360,628	384,672
Property and equipment, net	78,474	60,257
Goodwill	177,089	174,048
Other intangible assets, net	431,520	448,257
Deferred income taxes	2,495	2,282
Other long-term assets	12,902	12,800
Total assets	$ 1,063,108	1,082,316
Liabilities, Redeemable Noncontrolling Interest and Stockholder's Deficit		
Current liabilities:		
Accounts payable	$ 103,918	143,333
Accrued liabilities	136,137	121,942
Current portion of long-term debt	6,018	6,595
Total current liabilities	246,073	271,870
Long-term debt, less current portion	766,725	763,785
Deferred income taxes	126,474	132,993
Obligations under build-to-suit lease transactions	29,089	9,626
Other long-term liabilities	5,470	14,123
Total liabilities	1,173,831	1,192,397
Redeemable noncontrolling interest	13,603	13,895
Stockholder's deficit:		
Common stock, $0.01 par value; 1,000 shares authorized; 100 shares issued and outstanding	—	—
Additional paid-in capital	317,358	317,007
Accumulated other comprehensive loss	(1,155)	(5,988)
Accumulated deficit	(440,529)	(434,995)
Total stockholder's deficit	(124,326)	(123,976)
Total liabilities, redeemable noncontrolling interest, and stockholder's deficit	$ 1,063,108	1,082,316

COMPUCOM SYSTEMS, INC.
Consolidated Statements of Operations
(In thousands)
(unaudited)

	Nine months ended September 30,	
	2017	**2016**
Revenue:		
Service	$644,956	671,878
Product	163,533	169,579
Total revenue	808,489	841,457
Cost of revenue (exclusive of depreciation and amortization shown separately below):		
Service	448,929	468,408
Product	117,518	124,713
Total cost of revenue (exclusive of depreciation and amortization shown separately below):	566,447	593,121
Selling, general and administrative	179,121	184,360
Depreciation and amortization	27,275	26,198
Restructuring costs	5,320	13,498
Acquisition related costs	301	—
Income from operations	30,025	24,280
Gain on debt extinguishment	—	5,299
Other income	1,373	1,258
Financing expenses, net	(34,993)	(34,242)
Loss before income taxes	(3,595)	(3,405)
Income tax (benefit) expense	(385)	1,891
Net loss	(3,210)	(5,296)
Less: Net income (loss) attributable to noncontrolling interest	1,973	(5)
Net loss attributable to CompuCom	$ (5,183)	(5,291)

The accompanying notes are an integral part of these consolidated financial statements.

COMPUCOM SYSTEMS, INC.

Consolidated Statements of Comprehensive Loss

(In thousands)

(unaudited)

	Nine months ended September 30,	
	2017	**2016**
Net loss	$(3,210)	(5,296)
Other comprehensive gain, net of tax		
Foreign currency translation adjustment	3,938	1,191
Net unrealized gain on foreign currency hedges	895	50
Other comprehensive gain, net of tax	4,833	1,241
Total comprehensive income (loss)	1,623	(4,055)
Less: Comprehensive income (loss) attributable to noncontrolling interest	1,973	(5)
Comprehensive loss attributable to CompuCom	$ (350)	(4,050)

The accompanying notes are an integral part of these consolidated financial statements.

COMPUCOM SYSTEMS, INC.
Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Nine months ended September 30, 2017	2016
Cash flows from operating activities:		
Net loss	$ (3,210)	(5,296)
Adjustments to reconcile net loss to net cash provided in operating activities:		
Depreciation and amortization	27,275	26,198
Amortization of debt issuance costs and debt discount	3,243	3,283
Loss from equity method investments, net	49	233
Amortization of capital lease asset	—	157
Gain from foreign currency transactions	(472)	(799)
Amortization of vendor financed costs	5,797	4,570
Stock compensation expense	351	157
Gain on extinguishment of debt	—	(5,299)
Loss from sale of fixed assets, net	—	576
Deferred income taxes	(6,551)	(3,370)
Changes in assets and liabilities:		
Receivables	10,883	21,493
Inventories	(3,959)	(11,582)
Other assets	(3,243)	(605)
Accounts payable	(39,111)	(27,612)
Accrued liabilities and other	11,351	14,762
Net cash provided by operating activities	2,403	16,866
Cash flows from investing activities:		
Capital expenditures	(9,700)	(27,470)
Proceeds from sale of fixed assets	—	100
Business acquisitions, net of cash acquired	(3,800)	(10,086)
Net cash used in investing activities	(13,500)	(37,456)
Cash flows from financing activities:		
Payment for mandatorily redeemable noncontrolling interest	(5,987)	—
Proceeds from receivables securitization	35,000	—
Repayment of receivables securitization	(35,000)	—
Proceeds from line of credit	1,418	—
Repayment of line of credit	(1,418)	—
Repayment of long-term borrowings	—	(13,527)
Repayment of notes payable	(8,536)	(5,394)
Distribution to noncontrolling interest	(2,640)	—
Distribution to Parent	—	(3,123)
Proceeds received from landlord under build-to-suit financing	5,283	—
Net cash used in financing activities	(11,880)	(22,044)
Effect of exchange rate changes on cash and cash equivalents	1,604	1,191
Net decrease in cash and cash equivalents	(21,373)	(41,443)
Cash and cash equivalents at beginning of period	64,943	95,899
Cash and cash equivalents at end of period	$ 43,570	54,456

The accompanying notes are an integral part of these consolidated financial statements.

(1) Description of Business and Summary of Significant Accounting Policies

(a) Description of Business

Throughout this report, the terms "we," "our," "CompuCom," and the "Company" refer to CompuCom Systems, Inc. and its subsidiaries. We are a leading provider of information technology (IT) outsourcing services and products to North American enterprise organizations. We offer a broad range of solutions that includes end user computing (tablets, smartphones, laptops and desktops), data center management, service desk, network infrastructure and IT workforce solutions. Our largest service offering is end user computing, which provides on-site services to assist corporate end users with their IT needs. Over the last few years, we have expanded into emerging areas which require platform expertise and management, including mobile device management and cloud services.

We were incorporated in Delaware on March 23, 1989, and our corporate headquarters are located in Charlotte, North Carolina. We operate our business in two segments: Service and Product.

- Through our Service segment, we deliver innovative services through a customer-centric sales and delivery model. Our expertise enables us to deliver a comprehensive IT infrastructure management solution to our customers.
- Through our Product segment, we offer broad vendor-neutral product and product-related service offerings, which enables our enterprise customers to turn to a trusted party to procure and deploy hardware and software.

As a result of a merger transaction completed in September 2007, CompuCom became a wholly owned subsidiary of CompuCom Systems Holding Corp. (Parent). Parent was in turn owned by Court Square Capital Partners (Court Square) and certain members of the Company's management.

On April 5, 2013, Compiler Holdings LLC (Super Holdings), Compiler Merger Sub Inc. (Merger Sub) and Compiler Finance Sub. Inc. (Finance Sub), each of which is an affiliate of Thomas H. Lee Partners, L.P. (together with its controlled affiliates and funds managed or advised by it or its controlled affiliates, THL), Parent, the Company and CSC Shareholder Services LLC, entered into an Agreement and Plan of Merger (as amended or restated, the Merger). On May 9, 2013, Finance Sub merged with and into the Company, with the Company surviving as a wholly-owned subsidiary of Parent, and Merger Sub merged with and into Parent, with Parent surviving (the Merger). Upon consummation of the Merger, Parent was owned approximately 99.3% by Super Holdings and 0.7% by certain members of the Company's management, whereas Super Holdings is a wholly-owned subsidiary of THL Portfolio Holdings Corp. (THL Holdings). Immediately after the consummation of the Merger, the holders of Parent's common stock transferred such common stock to CompuCom Intermediate Holdings, Inc., a newly formed Delaware corporation (Intermediate Holdings) in exchange for Intermediate Holdings common stock, and immediately following such transfer, Parent converted into a Delaware limited liability company and changed its name to CompuCom Systems Holding LLC (these transactions, together with the Merger, are herein referred to as the Acquisition).

(b) Basis of Presentation

The interim-period financial information presented in the consolidated financial statements included in this report is unaudited and, in the opinion of management, includes all adjustments of a normal recurring nature necessary to state fairly the consolidated financial position as of September 30, 2017, the consolidated results of operations, comprehensive income and our consolidated cash flows for the nine months ended September 30, 2017 and 2016.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) and on the same basis as the audited financial statements included in our annual report for the year ended December 31, 2016. Certain information and note disclosures normally included in annual consolidated financial statements have been omitted. Because the consolidated interim financial statements do not include all of the information and notes required by GAAP for a complete set of financial statements, they should be read in conjunction with the audited consolidated financial statements and notes included in our annual report for the year ended December 31, 2016.

(c) Consolidation

The consolidated financial statements include the accounts of CompuCom and its wholly-owned subsidiaries, and a certain variable interest entity where CompuCom is the primary beneficiary. For consolidated entities, where the Company owns less than 100% of the economics, we record net income (loss) attributable to noncontrolling interest in the statement of operations equal to the percentage of the ownership interest retained in such entities by the respective noncontrolling parties. All significant intercompany balances and transactions have been eliminated. The Company accounts for investments over which it has significant influence, but not controlling financial interest using the equity method of accounting.

(d) Accounting Estimates

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. CompuCom bases its estimates on historical experience and on other relevant assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

(e) Accounting Standards

Recently Issued Accounting Standards

In May 2017, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-09, *Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting*. The Board is issuing this Update to provide clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, to a change to the terms or conditions of a share-based payment award. An entity may change the terms or conditions of a share-based payment award for many different reasons, and the nature and effect of the change can vary significantly. This ASU is effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company is currently assessing the impact of this guidance on the consolidated financial statements.

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. Topic 350 currently requires an entity that has not elected the private company alternative for goodwill to perform a two-step test to determine the amount, if any, of goodwill impairment. In Step 1, an entity compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the entity performs Step 2 and compares the implied fair value of goodwill with the carrying amount of that goodwill for that reporting unit. An impairment charge equal to the amount by which the carrying amount of goodwill for the reporting unit exceeds the implied fair value of that goodwill is recorded, limited to the amount of goodwill allocated to that reporting unit. ASU 2017-04 addresses concerns over the cost and complexity of the two-step goodwill impairment test by removing the second step of the test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. This ASU will become effective for goodwill impairment tests in fiscal years beginning after December 15, 2021, with early adoption permitted beginning with impairment tests performed after January 1, 2017. The Company is currently assessing the impact of this guidance on the consolidated financial statements.

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which adds guidance to assist companies in evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or as businesses, and provides for a screen to determine when a transaction should be accounted for as the acquisition or disposal of assets and not of a business, potentially reducing the number of transactions that need to be further evaluated. This ASU will become effective in fiscal year 2019, applied on a prospective basis, and early application is allowed for certain transactions. The Company is currently assessing the impact of this guidance on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments.* ASU 2016-05 will addresses eight specific cash flow issues to reduce the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2017, including interim reporting periods. The Company is currently assessing the impact of this guidance on the consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 outlines a single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance issued by the FASB, including industry specific guidance. ASU 2014-09 provides accounting guidance for all revenue arising from contracts with customers and affects all entities that enter into contracts with customers to provide goods and services. ASU 2014-09 also requires entities to disclose both quantitative and qualitative information to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This guidance is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted for annual reporting periods beginning after December 15, 2017. We are currently assessing the guidance prescribed by ASU 2014-09, and we have not yet determined the impact the adoption of this standard will have on our consolidated financial statements.

The FASB has issued several more amendments to the new revenue standard ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended by ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date)*:

> In December 2016, the FASB issued ASU No. 2016-20, *Revenue from Contracts with Customers (Topic 606): Technical Corrections and Improvements*. ASU 2016-20 represents changes for minor corrections or minor improvements to the Codification that are not expected to have a significant effect on the current accounting practice or create a significant administrative cost to most entities.
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> In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow Scope Improvements and Practical Expedients.* ASU 2016-12 clarifies certain core recognition principles including collectability, sales tax presentation, noncash consideration, evaluating contract modifications and completed contracts at transition, and the disclosure requirement for the effect of the accounting change for the period of adoption.
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> In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing.* ASU 2016-10 covers two specific topics: performance obligations and licensing. This amendment includes guidance on immaterial promised goods or services, shipping or handling activities, separately identifiable performance obligations, functional or symbolic intellectual property licenses, sales-based and usage-based royalties, license restrictions and licensing renewals.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross verses Net).* ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist any entity in determining whether it controls a specified good or service before it is transferred to the customers.

This guidance is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted for annual reporting periods beginning after December 15, 2017. The Company is currently assessing the impact that adopting these new accounting standards will have on the consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation: Improvements to Employee Share-Based Payment Accounting*. This ASU requires excess tax benefits and tax deficiencies, which arise due to differences between the measure of compensation expense and the amount deductible for tax purposes, to be recorded directly through the income statement as a component of income tax expense. Under current GAAP, these differences are generally recorded in additional paid-in capital and thus have no impact on net income. The change in treatment of excess tax benefits and tax deficiencies will also impact the computation of diluted earnings per share, and the cash flows associated with those items will be classified as operating activities on the statement of cash flows. The ASU will permit certain elective changes associated with stock compensation accounting. For example, companies can elect to account for forfeitures of awards as they occur rather than projecting forfeitures in the accrual of compensation expense. In addition, the ASU increases the proportion of shares an employer is permitted (though not required) to withhold on behalf of an employee to satisfy the employee's income tax burden on a share-based award without causing the award to become subject to liability accounting. This ASU will become effective for the Company on January 1, 2018 and the Company is in the process of evaluating its impact. Upon adoption, previously unrecognized excess tax benefits will be recorded through an opening retained earnings adjustment, however, previously recognized excess tax benefits will remain in additional paid in capital. In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which increases transparency and comparability by recognizing a lessee's rights and obligations resulting from leases by recording them on the balance sheet as lease assets and lease liabilities. The new standard requires the lessee to classify leases as either finance or operating based on the principle of whether or not the lease is effectively a financed purchase by the lessee. The classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease. This ASU will become effective for the Company on January 1, 2020 and the Company is currently assessing the impact of this guidance on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities.* ASU 2016-01 will address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The Company adopted the provision of the standard which permits the omission of fair value disclosures for financial instruments carried at amortized cost. The remaining provisions of the standard become effective in the annual reporting period beginning after December 15, 2018, including interim reporting periods. The Company does not expect the remaining provisions of ASU 2016-01 to have a material effect on the Company's consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*, which requires all deferred tax assets and liabilities to be classified as noncurrent on the balance sheet. The guidance in ASU 2015-17 is effective for the fiscal year, and interim periods within that fiscal year, beginning after December 15, 2017, with early adoption permitted. The guidance is a change in financial statement presentation only and will not have a material impact on the consolidated financial position, results of operations, or cash flows.

In September 2015, the FASB issued ASU No. 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*, which eliminates the requirement to account for adjustments identified during the measurement-period in a business combination retrospectively. Instead, the acquirer must recognize measurement-period adjustments during the period in which they are identified, including the effect on earnings of any amounts that would have been recorded in previous periods had the purchase accounting been completed at the acquisition date. This ASU will be effective for the Company for the fiscal year beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The adoption of ASU 2015-16 is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory* (Topic 330): *Simplifying the Measurement of Inventory*. ASU 2015-11 changes the measurement principle for inventories valued under the First-In, First-Out (FIFO) or weighted-average methods from the lower of cost or market to the lower of cost or net realizable value. Net realizable value is defined by the FASB as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments in this Update are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The adoption of this standard will not have a material impact on the consolidated financial statements.

(f) Revisions to Prior Year Financial Statements

Subsequent to the issuance of the consolidated financial statements, the Company concluded that it did not properly record foreign currency gains and losses on intercompany balances for the nine months ended September 30, 2016. The Company concluded the effects of this error to the consolidated financial statements were not material to the accounts as previously presented and has revised the previously reported consolidated financial statements for the nine months ended September 30, 2016 to appropriately correct this error. As a result of the revision, the Company is adjusting September 30, 2016 financial results to record this and additional inconsequential miscellaneous errors in the correct period.

The tables below present the impact of the adjustments recorded to correct the Consolidated Statements of Operations, Consolidated Statements of Comprehensive Income, and Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 (in thousands):

	For the nine months ended September 30, 2016		
	As previously reported	**Impact of revision**	**As revised**
Consolidated Statements of Operations			
Total revenue	$ 840,945	$ 512	$ 841,457
Total cost of revenue	(593,326)	205	(593,121)
Gross margin	247,619	717	248,336
Selling, general and administrative expenses	(211,033)	475	(210,558)
Total operating expenses	(224,531)	475	(224,056)
Income from operations	23,088	1,192	24,280
Loss before income taxes	(4,598)	1,193	(3,405)
Income tax expense	(1,809)	(82)	(1,891)
Net loss	(6,407)	1,111	(5,296)
Less: Net income (loss) attributable to noncontrolling interest	(5)	—	(5)
Net loss attributable to CompuCom	(6,402)	1,111	(5,291)
Consolidated Statements of Comprehensive Income			
Net income	(6,407)	1,111	(5,296)
Foreign currency translation adjustment	1,992	(801)	1,191
Other comprehensive income, net of taxes	2,042	(801)	1,241
Total comprehensive loss	(4,365)	310	(4,055)
Less: Net income (loss) attributable to noncontrolling interest	(5)	—	(5)
Net loss attributable to CompuCom	(4,360)	310	(4,050)
Consolidated Statements of Cash Flows			
Net loss	(6,407)	1,111	(5,296)
Depreciation and Amortization	26,198	—	26,198
Gain from foreign currency transactions	—	(799)	(799)
Receivables	22,136	(643)	21,493
Inventories	(11,582)	—	(11,582)
Deferred income taxes	(4,050)	680	(3,370)
Accrued liabilities and other	15,111	(349)	14,762
Net cash provided by operating activities	16,866	—	16,866

(2) Acquisitions

On January 19, 2017, the Company acquired 100% of the membership interests in EXT-IOT, LLC, a company engaged in the business of the development, marketing, sales and implementation of an internet of things offering and portfolio in Florida and across the United States. The total purchase price of EXT-IOT consisted of cash consideration of $2.0 million and potential future cash consideration contingent on earnings targets. The estimated fair value of the consideration paid on the acquisition date has been allocated as $1.2 million to goodwill, $0.8 million to identifiable intangible assets, and an insignificant portion to property and equipment.

On May 1, 2017, the Company acquired 100% of the membership interests in LNS Technologies, Inc. (LNS), a company engaged in the business of providing information technology support, cloud solutions and information security solutions to small businesses. The total purchase price of LNS included cash consideration of $1.8 million and potential future cash consideration contingent on earnings targets. The fair value of the consideration paid on the acquisition date has been allocated as $1.0 million to goodwill, $0.7 million to identifiable intangible assets, $0.2 million to other current assets and $0.1 million to other current liabilities.

On August 1, 2016, the Company acquired 40% of the membership interests in ClearPath Holdings, LLC (ClearPath), a regional value added reseller and integrator of data center-focused technologies. Under the terms of the agreement, the Company assumed an obligation to purchase an additional 15% of the membership interests in ClearPath in the second quarter of 2017. On June 16, 2017, the Company completed the mandatory obligation to purchase an additional 15% by redeeming a portion of the noncontrolling interest for a cash consideration of $6.0 million.

The process for estimating the fair values of identified intangible assets and assumed liabilities requires the use of judgment to determine the appropriate assumptions. The Company’s purchase price allocations are preliminary and subject to revision as more detailed analyses are completed and additional information about the fair value of the assets and liabilities becomes available. ASC 805 defines the measurement period by which purchase price adjustments should be finalized as not to exceed one year from the acquisition date. The amounts related to the acquisitions are allocated to the assets acquired and the liabilities assumed and are included in the Company’s unaudited Consolidated Balance Sheet as of September 30, 2017. The Company incurred $0.3 million in acquisition costs, for the nine months ended September 30, 2017, which are included in *Acquisition related costs* in the Consolidated Statements of Operations as of September 30, 2017.

(3) Stock Compensation Expense

In August 2013, Intermediate Holdings implemented a management stock compensation plan, whereby certain members of the Company's management were granted nonqualified employee stock options. On August 14, 2017, certain previously-issued stock options were cancelled and replacement awards were issued. Certain members of management were also granted new options without cancellation of previously-issued awards. For options with concurrent cancellation and replacement issuances, management determined the incremental fair value of the awards granted based on the difference between the value of the old award and the replacement award as of the modification date. The incremental value arising from the modification will be recognized, along with any unrecognized compensation cost from the previous-issued options, over the required service period of the employee. For new options granted without concurrent cancellations, the Company determined the applicable grant date fair value of the options which will be expensed over the required service period. Total stock compensation expense for the nine months ended September 30, 2017 was $0.4 million, and for the nine months ended September 30, 2016 was $0.2 million, respectively, and is included in *Selling, general and administrative expenses* in the Consolidated Statements of Operations.

As of September 30, 2017, there was $3.1 million of total unrecognized compensation costs related to unvested share-based compensation arrangements granted under time-based vesting agreements as part of the employee share option plan. That cost is expected to be recognized over a weighted-average period of 3.25 years. In addition, as of September 30, 2017, the Company has also issued shared-based compensation agreements under the employee share option plan that are subject to performance-based vesting conditions which had a grant date fair value of $2.7 million, for which no expense has been recognized after evaluation of the performance goals. Under the current employee share option plan, all share based compensation agreements will become fully vested should a change of control event occur.

Subsequent to September 30, 2017, all previously issued awards vested due to the change of control event that occurred as discussed in Footnote 21, *Subsequent Events.*

(4) Restricted Cash Instruments

Restricted cash consist primarily short term cash deposits having original maturity dates of twelve months or less that serve as a collateral to our letters of credit. Restricted cash is valued at cost, which approximates fair value. Restricted cash was $1.2 million at September 30, 2017 and $1.1 million at December 31, 2016, respectively.

(5) Inventories

Inventories consist of inventory held for resale to our Product customers, as well as spare parts maintained to perform future repair services for our Service customers. We value our inventory at the lower of average cost or market through the establishment of loss reserves. The Company continually assesses the appropriateness of inventory valuations giving consideration to obsolete and slow-moving inventory. Net Product inventories were $22.3 million and $19.3 million at September 30, 2017 and December 31, 2016, respectively. Net Service inventories were $7.1 million and $5.7 million at September 30, 2017 and December 31, 2016, respectively. All inventory held as of September 30, 2017 and December 31, 2016 was considered to be finished goods inventory.

(6) Prepaid Assets

The following is a summary of short term prepaid assets at September 30, 2017 and December 31, 2016 (in thousands):

	September 30, 2017	December 31, 2016
Prepaid subcontractor fees	$ 497	243
Prepaid ITO support	6,988	5,916
Prepaid maintenance	5,534	6,057
Prepaid professional and consulting fees	181	206
Prepaid recruiting fees	297	—
Prepaid training, memberships and subscriptions	270	202
Prepaid insurance	1,395	1,084
Prepaid rent	2,288	812
Other	432	1,760
Total	$ 17,882	16,280

(7) Property and Equipment

The following is a summary of property and equipment at September 30, 2017 and December 31, 2016 (in thousands):

	September 30, 2017	December 31, 2016
Computer equipment	$ 23,237	23,662
Computer software and licenses	42,616	42,148
Leasehold improvements	18,256	14,913
Furniture and other equipment	9,100	7,731
Buildings	12,570	12,570
Construction in progress	20,508	—
Subtotal	126,287	101,024
Less accumulated depreciation	(47,813)	(40,767)
Total	$ 78,474	60,257

For build-to-suit lease arrangements, the Company evaluates lease terms to assess whether, for accounting purposes, it should be “deemed owner” of the construction project. Under build-to-suit lease arrangements, the Company establishes an asset and a corresponding financing obligation for the estimated construction costs of the shell facility. Improvements to the facilities during the construction project are capitalized, and, to the extent funded by a tenant improvement allowance, the financing obligation is increased. Upon completion of construction and occupancy of the facility, the Company assesses whether these arrangements qualify for sales recognition under the sale-leaseback accounting guidance. If the Company does not comply with the provisions needed for sale-leaseback accounting, the lease will be accounted for as a financing obligation and lease payments will be attributed to 1) a reduction of the principal financing obligation; 2) imputed interest expense; and 3) land lease expense representing an imputed cost to lease the underlying land of the facility. In addition, the underlying building asset will be depreciated over the building’s useful life and at the conclusion of the lease term, the Company would de-recognize the net book values of both the asset and financing obligation.

Construction began on a newly leased office space in January 2017 that has a term of 15 years with the option to extend the lease for four consecutive terms of five years each. As a result of our involvement during the construction period of the building, we were “deemed owner” of the construction project. As of September 30, 2017, in accordance with the build-to-suit lease accounting rules discussed above, the Company has recorded estimated project construction costs incurred by the landlord of $17.9 million as an asset and a corresponding long term liability in *Property and equipment, net* and *Obligations under build-to-suit lease transactions*, respectively, on our Consolidated Balance Sheets. The estimated project construction costs incurred by the landlords and subsequent costs incurred by the Company to improve the facilities are included in *Construction in progress* in the above table. Upon completion of the project, the Company will assess whether these assets and liabilities qualify for derecognition under the sale-leaseback accounting guidance.

Depreciation expense related to property and equipment was $9.1 million for the nine months ended September 30, 2017, and it was $7.2 million for the nine months ended September 30, 2016, respectively, and is included in *Selling, general, and administrative* expenses in the Consolidated Statements of Operations.

(8) Identifiable Intangible Assets

Identifiable intangible assets result from the purchase price allocations of the Company's business combinations. Intangible assets with definite useful lives are amortized over their respective estimated useful lives to their estimated residual values. Indefinite-lived intangible assets are evaluated for impairment annually or when events or circumstances warrant a valuation analysis. The following tables provide a summary of CompuCom's identifiable intangible assets as of September 30, 2017 and December 31, 2016 (in thousands):

		September 30, 2017		
	Amortization period	Gross carrying value	Accumulated amortization	Net
Amortizable intangible assets:				
Customer-related	1 – 20 years	$538,868	(232,650)	306,218
Indefinite-lived intangible assets:				
Trade name	N/A	125,302	N/A	125,302
Total net identifiable intangible assets		$664,170	(232,650)	431,520

		December 31, 2016		
	Amortization period	Gross carrying value	Accumulated amortization	Net
Amortizable intangible assets:				
Customer-related	1 – 20 years	$537,700	(214,443)	323,257
Indefinite-lived intangible assets:				
Trade name	N/A	125,000	N/A	125,000
Total net identifiable intangible assets		$662,700	(214,443)	448,257

Amortization expense related to intangible assets with definite useful lives was $18.2 million for the nine months ended September 30, 2017, and it was $19.0 million for the nine months ended September 30, 2016, respectively. Expected amortization expense related to intangible assets with definite useful lives subsequent to September 30, 2017 is as follows (in thousands):

2017 (remaining)	6,078
2018	24,311
2019	24,214
2020	23,889
2021	23,889
2022 and after	203,837
	$306,218

(9) Equity Method Investments

In December of 2015, the Company purchased an undivided 20% interest in each of the assets of High Performance Technologies, LLC (HPT) via the acquisition of 2,000,000 units for $1.8 million. HPT is a regional value added reseller specializing in the delivery of high performance data solutions. The carrying amount in the investment in HPT was $1.4 million and $1.4 million at September 30, 2017 and December 31, 2016, respectively, and is included in *Other long-term assets* on the Consolidated Balance Sheet and accounted for as an equity method investment. Under this method of accounting, the Company recognizes its share of the investments' earnings and losses, which is included in *Other income* in the Consolidated Statements of Operations.

(10) Accrued Liabilities

The following is a summary of accrued liabilities at September 30, 2017 and December 31, 2016 (in thousands):

	September 30, 2017	December 31, 2016
Employee related accruals	$ 44,460	40,402
Deferred revenue	18,352	19,547
Accrued vendor refunds	4,352	3,706
Accrued interest	7,307	3,531
Accrued sales and property tax	5,633	6,101
Accrued sub-contractor expense	14,669	9,094
Accrued customer rebates and reimbursements	1,267	2,675
Vendor contracts accrual	6,845	6,472
Accrued occupancy costs	872	481
Accrued federal and state income taxes	4,052	514
Accrued professional services	4,559	4,529
Accrued freight	561	1,352
Lease termination accrual	8,404	5,503
Mandatorily redeemable noncontrolling interest liability	—	5,189
Other	14,804	12,846
Total	$ 136,137	121,942

(11) Financing Arrangements

The following is a summary of amounts outstanding under CompuCom's financing arrangements at September 30, 2017 and December 31, 2016 (in thousands):

	September 30, 2017	December 31, 2016
Long-term debt:		
Term Loan	$ 559,983	559,983
Senior Notes	215,000	215,000
Securitization	—	—
Notes payable	6,962	7,543
Other debt	2,196	2,342
Total debt obligations	784,141	784,868
Less unamortized discount on Term Loan	(1,157)	(1,471)
Less unamortized debt issuance costs	(10,241)	(13,016)
Less current portion of notes payable	(3,999)	(4,581)
Less current portion of other debt	(2,019)	(2,015)
Total long-term debt	$ 766,725	763,785

Interest expense on long-term debt borrowings was $35.2 million for the nine months ended September 30, 2017, and it was $34.5 million for the nine months ended September 30, 2016, respectively, and it is included in *Financing expenses, net*, in the Consolidated Statements of Operations.

Interest income earned was $0.2 million for the nine months ended September 30, 2017, and there was an immaterial amount for the period reported in 2016, and it is included in *Financing expenses, net*, in the Consolidated Statements of Operations.

Expected maturities of long-term debt subsequent to September 30, 2017 are as follows (in thousands):

2017 (remaining)	$ 3,855
2018	2,217
2019	639
2020	561,154
2021	216,276
	$784,141

(a) Term Loan

On May 9, 2013, the Company entered into a new $605.0 million Term Loan in connection with the Acquisition. The Term loan was issued at 99.5% of face value, resulting in net proceeds of $602.0 million. Amortization of the debt discount was $0.3 million for both the nine months ended September 30, 2017 and 2016, respectively, which is included in *Financing expenses, net*, in the Consolidated Statements of Operations. The Term Loan accrues interest at a rate of 3.25%, plus the greater of 1% or an adjusted LIBOR rate. In addition, the Company is required to make annual principal payments based on an excess cash flow calculation defined in the debt agreement. The excess cash flow calculation is the maximum mandatory prepayment for which the Company is obligated; however, each lender can elect to decline all of its applicable percentage of such prepayment. These payments are due five business days after the date on which the consolidated financial statements are required to be delivered. In accordance with the cash flow calculation based on the Company's results for the year ended December 31, 2016, the Company is not required to make a principal payment in 2017. Any mandatory prepayments made by the Company shall be applied against the remaining scheduled quarterly principal payments. Due to the mandatory prepayments discussed above, we are not required to make any quarterly principal payments for the remainder of the Term Loan. The weighted average annualized interest rate was 4.3% for all periods presented.

The Term Loan has a maturity date of May 9, 2020 and is unconditionally guaranteed by Parent and each of its direct and indirect present and future domestic subsidiaries, except for certain excluded subsidiaries. The Term Loan is collateralized by a grant of security interest in, subject to certain customary exceptions, each credit party's present and future tangible and intangible assets as noted in the agreement.

(b) Senior Notes

On May 9, 2013, in connection with the Acquisition, the Company issued senior notes (Senior Notes) via an initial purchaser to qualified institutional buyers in an aggregate principal amount of $225.0 million under the terms of an indenture (Indenture) pursuant to Rule 144A under the Securities Act of 1933 (the Securities Act) and outside the United States in accordance with Regulation S under the Securities Act. The Senior Notes are exempt from registration under the Securities Act or any state securities laws. The Senior Notes bear interest at a rate of 7.0% per year, and interest is payable on May 1 and November 1 of each year. The Senior Notes have a maturity date of May 1, 2021, and they are fully and unconditionally guaranteed, jointly and severally on a senior unsecured basis by each of the Company's subsidiaries that guarantee the Term Loan. These Senior Notes provide optional redemption privileges at redemption prices as set forth in the Indenture.

In May 2016, the Company entered into a transaction with a Senior Note holder to purchase an aggregate principal amount of $10.0 million of Senior Notes for $4.5 million. In connection with this transaction, the Company recorded a gain on debt extinguishment of $5.3 million comprised of a $5.5 million gain from the Senior Notes purchased, offset by a write-off of $0.2 million of unamortized debt issuance costs related to the purchased Senior Notes. The Company funded the transaction using cash on hand.

(c) Receivables Securitization Facility

The receivables securitization facility (Securitization) is a financing vehicle utilized by the Company because it offers attractive rates relative to other financing sources. The Securitization's pricing is based on LIBOR plus 1.5%. The short-term interest rate, inclusive of the spread, was 2.8% and 2.3% as of September 30, 2017 and December 31, 2016, respectively. Under this arrangement, the Company and its wholly owned Canadian subsidiary sell their respective US and Canadian eligible trade accounts receivable, not to exceed $150.0 million, to their respective wholly owned, consolidated, special purpose finance corporations, CSI Funding, Inc. and CSI Funding Canada Co. (the SPCs). The SPCs have sold and, subject to certain conditions, may from time to time sell an undivided ownership interest in the pool of purchased receivables to financial institutions. As collections reduce receivable balances sold, CompuCom may sell interests in new receivables to bring the amount sold up to the maximum allowed. The proceeds from the sale of receivables are used primarily to fund working capital requirements. CompuCom is retained as servicer of the receivables; however, the cost of servicing is not material. All securitized accounts receivable, which approximate fair value due to the short-term nature of the instruments, as well as the related debt, are reflected on the Company's Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016, respectively.

The Company also has outstanding letters of credit totaling $22.9 million and $27.3 million at September 30, 2017 and December 31, 2016, respectively. These letters of credit are issued in connection with our self-insurance programs, as well as certain vendors and customers. We have elected to pledge a portion of the line under the Securitization as collateral for our letters of credit. As such, the availability under the Securitization was $79.4 million and $79.6 million at September 30, 2017 and December 31, 2016, respectively.

(d) Debt Covenants

The Securitization requires the Company to comply with a minimum interest coverage ratio covenant when the Securitization is 90% utilized for 30 consecutive days. The Company is not required to comply with the minimum interest coverage ratio covenant if the utilization of the Securitization falls below 90% for 10 consecutive days. We are not subject to the minimum interest coverage ratio covenant as of September 30, 2017.

We are not subject to any other financial covenants on our Term Loan, Senior Notes, and Receivables Securitization Facility as of September 30, 2017.

(e) Notes Payable

In 2015, the Company issued two notes for a total of $6.0 million from a third party financing company in order to purchase software licenses and equipment. The Company made principal and interest payments of $1.3 million for the nine months ended September 30, 2017, and $3.3 million for the nine months ended September 30, 2016, respectively. The notes bear a weighted average interest rate of 6.0%.

In 2016, the Company issued two notes for $11.8 million from vendors in order to finance warranty service and software costs. The Company made principal and interest payments of $3.3 million during the nine months ended September 30, 2017, and $2.5 million for nine months ended September 30, 2016, respectively. We are required to make future principal and interest payments of $4.2 million in 2019 and beyond. The notes bear a weighted average interest rate of approximately 8.0%.

In April 2017, the Company issued an additional note for $7.3 million from a vendor in order to finance software maintenance costs. The Company made $4.0 million in principal and interest payments on this note for the nine months ended September 30, 2017. We are required to make future principal and interest payments of $2.0 million and $2.0 million in 2017 and 2018, respectively. The note bears an interest rate of approximately 7.0%.

(f) Other debt

In connection with the acquisition of 40% of the membership interests in ClearPath in the third quarter of 2016, the Company consolidated ClearPath's outstanding bank debt, consisting of a line of credit facility and a note payable. As of September 30, 2017, the outstanding balances on the credit facility and note were $1.8 million and $0.4 million, respectively. The credit facility matures in October 2017 and pricing is based on Wall Street Journal Prime. The note matures on July 20, 2019 and bears a weighted average interest rate of 4.25%. The Company borrowed and repaid an additional $1.4 million from the line of credit facility for the nine months ended September 30, 2017.

The line of credit facility requires ClearPath to comply with a minimum adjusted tangible net worth of $2.2 million. As of September 30, 2017, ClearPath is in compliance with all debt covenants and is not subject to any other financial covenants on its debt instruments.

(12) Segment Information

Operating segments are components of an enterprise for which separate discrete financial information is available for evaluation by the Company's Chief Operating Decision Maker in making decisions on how to allocate resources and assess performance. The Company's Chief Executive Officer is the Chief Operating Decision Maker.

CompuCom measures segment earnings as operating income, defined as income before financing expenses, net, and income taxes. All significant inter-segment activity has been eliminated. Amounts included in the "Other" column include all items not specifically allocated to each segment, including but not limited to, acquisition related costs, management fees paid to Parent and other miscellaneous expenses of a non-recurring nature.

Operating results	Nine months ended September 30, 2017			
	Service	Product	Other	Total
	(In thousands)			
Revenue	$644,956	163,533	—	808,489
Gross margin	196,027	46,015	—	242,042
Income (loss) from operations	$ 19,199	15,411	(4,585)	30,025
Other income	—	—	1,373	1,373
Financing expenses, net	—	—	(34,993)	(34,993)
Loss before taxes				$ (3,595)

Operating results	Nine months ended September 30, 2016			
	Service	Product	Other	Total
	(In thousands)			
Revenue	$671,878	169,579	—	841,457
Gross margin	203,470	44,866	—	248,336
Income (loss) from operations	$ 15,617	11,703	(3,040)	24,280
Gain on debt extinguishment	—	—	5,299	5,299
Other income	—	1,254	4	1,258
Financing expenses, net	—	—	(34,242)	(34,242)
Loss before taxes				$ (3,405)

Revenue from foreign sources is primarily generated in Canada. Revenue, classified by the major geographic areas in which CompuCom operates, was as follows (in thousands):

	Nine months ended september 30,	
	2017	2016
U.S.	$656,526	685,035
Non-U.S.	151,963	156,422
Total revenue	$808,489	841,457

Net property and equipment, classified by the major geographic areas in which CompuCom operates, were as follows as of September 30, 2017 and December 31, 2016 (in thousands):

	September 30, 2017	December 31, 2016
U.S.	$ 65,567	46,295
Non-U.S.	12,907	13,962
Total net property and equipment	$ 78,474	60,257

(13) Income Taxes

The Company has gross unrecognized tax benefits of approximately $8.6 million at both September 30, 2017 and December 31, 2016, respectively, all of which is included in *Other long-term liabilities*, in the Consolidated Balance Sheets. Approximately $3.3 million of the unrecognized tax benefit is currently covered under an indemnification agreement with the predecessor owner, Court Square. The Company does not believe it is reasonably possible that the total amount of unrecognized tax benefits will materially change in the next twelve months. The majority of the unrecognized tax benefits at September 30, 2017, if recognized, would affect the tax rate.

The Company's policy with respect to recognition of interest and penalties on uncertain tax positions is to assess the likelihood, for each uncertain tax position, that any interest and penalties may be assessed by the relevant taxing authorities and, based on such assessment, record any significant interest and penalties as a component of income tax expense. In relation to the Company's unrecognized tax positions, the Company has recorded $1.2 million of accrued interest and penalties as of both September 30, 2017 and December 31, 2016, respectively.

The Company's US federal income tax returns are closed to examination through the tax year ended December 31, 2013. State and other income tax returns are generally subject to examination for a period of three to five years after the filing of the respective returns. The Company and its subsidiaries have various state and other income tax returns in the process of examination or administrative appeal.

Our effective tax rate was 166.7 % for the nine months ended September 30, 2017, and it was (55.6) % for the nine months ended September 30, 2016, respectively. The effective rate for the nine months ended September 30, 2017, and the nine months ended September 30, 2016, differs significantly from the statutory rate due to various permanent differences and an increase in the valuation allowance for foreign tax credits.

(14) Related Party Transactions

The Company conducts business with nine portfolio companies of THL. For the nine months ended September 30, 2017 the Company recognized $4.1 million in total revenue for these related parties and it recognized $3.5 million in total revenue for the nine months ended September 30, 2016 for these related parties, respectively. At September 30, 2017 and December 31, 2016, $0.9 million and $1.9 million, respectively, remained outstanding from these related parties and is reflected as *Receivables, net* on the Consolidated Balance Sheets. At December 31, 2016, $0.1 million remained due to these related parties and is reflected as *Accounts payable* on the Consolidated Balance Sheets.

In connection with the equity investments at the closing of THL's acquisition of CompuCom's Parent, CompuCom entered into a management agreement (the Services Agreement) with THL Managers VI, LLC, an affiliate of THL. Under terms of the Services Agreement, THL provides the Company with certain general business, management, administrative and financial advice. In consideration of these and other services, the Company pays an annual fee to THL in an amount per year equal to the greater of 1) $1.5 million or 2) 1.0% of Consolidated Adjusted EBITDA (as defined in the Services Agreement) for the immediately preceding fiscal year. The management fee is paid in quarterly increments. The total expense recorded for these services was $1.1 million for both the nine months ended September 30, 2017 and 2016, respectively, and is included in *Selling, general and administrative* expenses, in the Consolidated Statements of Operations.

(15) Restructuring Activities

In January 2016, the Company adopted a restructuring plan designed to lower costs and drive operational efficiency (the Restructuring Plan). As of September 30, 2017, the Company estimates that it will incur aggregate pre-tax charges pursuant to the Restructuring Plan of approximately $27.0 million throughout 2016 and 2017, consisting of approximately $17.9 million related to facilities costs, $6.4 million of employee-related costs, and $2.7 million of other miscellaneous costs. The Company expects most Restructuring Plan charges will be allocated to the Service segment. The Company incurred Restructuring Plan charges of $5.3 million for the nine months ended September 30, 2017, and $13.5 million for the nine months ended September 30, 2016, respectively, and a cumulative $21.6 million as of September 30, 2017 since inception of the plan. These amounts are included in the total estimated $27.0 million Restructuring Plan charges disclosed above.

The following table summarizes the Restructuring Plan activity incurred to date, including accrued balances, as of September 30, 2017 and September 30, 2016, which is included in *Accounts Payable* and *Accrued liabilities*, in the Consolidated Balance Sheet (in thousands):

	For the nine months ended September 30, 2017			
	Facilities	**Employee-related**	**Other**	**Total**
Liability as of December 31, 2016	$ 9,728	3,490	545	13,763
Gross charges	3,859	575	886	5,320
Cash payments	(5,166)	(3,502)	(1,293)	(9,961)
Liability as of September 30, 2017	$ 8,421	563	138	9,122

	For the nine months ended September 30, 2016			
	Facilities	**Employee-related**	**Other**	**Total**
Liability as of December 31, 2015	$ —	—	—	—
Gross charges	12,699	545	254	13,498
Cash payments	(2,865)	(545)	(254)	(3,664)
Liability as of September 30, 2016	$ 9,834	—	—	9,834

(16) Leases

On March 31, 1999, a lease agreement was entered into between Delaware Comp LLC and the Company to lease a building in Dallas, Texas for a 20 year term ending on March 31, 2019 (the Lease Agreement). During July 2016, the Lease Agreement had not expired, but the Company vacated the premises and ceased-use of the property. As a result, the Company is required to establish a liability based on the remaining lease rentals, reduced by estimated sublease rentals that could be reasonably obtained for the property under ASC 420. As a result, the Company recorded a $6.4 million lease charge for the year ended December 31, 2016.

Subsequently, in April 2017 the Company entered into a lease termination amendment to the Dallas lease above. Per the terms of the agreement, the Company is obligated to pay a $6.0 million lease termination fee prior to February 28, 2018 plus rent related payments until February 28, 2018. As a result, the Company has incurred an additional $2.6 million lease charge that is included in *Restructuring costs* in the Consolidated Statements of Operations. The total remaining estimated liability as of September 30, 2017 is $8.4 million and is included in *Accrued liabilities* in the Consolidated Balance Sheets.

(17) Contingencies

(a) Routine Litigation

CompuCom is involved in various claims and legal actions arising in the ordinary course of business. CompuCom records a provision for a liability when management believes that it is both probable that a liability has been incurred, and the amount of the loss can be reasonably estimated. In the opinion of management, CompuCom has adequate provisions for any such matters, and the ultimate liability, if any, resulting from such claims and pending actions will not have a material adverse effect on the Company's consolidated results of operations or financial position.

(b) Security Interests

In the normal course of business, the Company may provide liens, encumbrances, and pledges against certain inventory and vendor receivable balances.

(18) Concentration Risks

CompuCom maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Receivables from customers are generally unsecured. To reduce the concentration risk and overall risk of collection, CompuCom performs ongoing evaluations of its customers' financial condition. To ensure a receivable balance is not overstated due to uncollectibility, an allowance for doubtful accounts is maintained as required under GAAP. At September 30, 2017 and December 31, 2016, no customer accounted for more than 10% of accounts receivable. No single customer accounted for more than 10% of total revenue for all periods presented.

CompuCom has relationships with numerous original equipment manufacturers (OEM) in support of its Product business. The loss of a single OEM as a supplier, the deterioration of its relationship with a single OEM, or any unilateral modification of the contractual terms under which CompuCom is supplied equipment and components by a single OEM could adversely affect CompuCom's revenue and gross margin.

(19) Supplemental Information about Changes to Accumulated Other Comprehensive Loss

An analysis in the change in balance by component of Accumulated Other Comprehensive Loss is as follows (in thousands):

Components of Accumulated Other Comprehensive Loss

	For the nine months ended September 30, 2017			
	Foreign Currency Translation	Foreign Currency Hedges	Other gain	Total
Balance at December 31, 2016	$ (5,519)	(512)	43	(5,988)
Other comprehensive gain before reclassifications, net of tax	3,938	1,049	—	4,987
Reclassifications, net of tax	—	(154)	—	(154)
Other comprehensive gain	3,938	895	—	4,833
Balance at September 30, 2017	$ (1,581)	383	43	(1,155)

Components of Accumulated Other Comprehensive Loss

	For the nine months ended September 30, 2016			
	Foreign Currency Translation	Foreign Currency Hedges	Other gain	Total
Balance at December 31, 2015	$ (5,761)	(311)	43	(6,029)
Other comprehensive gain (loss) before reclassifications, net of tax	1,191	(319)	—	872
Reclassifications, net of tax	—	369	—	369
Other comprehensive gain	1,191	50	—	1,241
Balance at September 30, 2016	$ (4,570)	(261)	43	(4,788)

Reclassifications out of Accumulated Other Comprehensive Loss are presented below (in thousands):

	Reclassification Adjustments		
	Nine months ended September 30,		
Component Line Item	2017	2016	Affected line items in the Statement of Operations
Foreign currency hedges			
Loss on settled hedges	$ (236)	568	*Selling, general and administrative*
Tax impact	82	(199)	*Income taxes*
Total reclassifications, net of tax	$ (154)	369	

(20) Supplemental Cash Flow Information

Supplemental disclosure of cash flow information was as follows (in thousands):

	Nine months ended September 30,	
	2017	2016
Cash paid for income taxes, net	$(10,093)	(6,385)
Cash paid for interest, net of amounts capitalized	(33,832)	(27,002)

Supplemental disclosure of non-cash investing and financing activities was as follows (in thousands):

	Nine months ended September 30,	
	2017	2016
Note issued by vendor to finance service costs (a)	$ 7,311	9,426
Property and equipment additions incurred during the period but not paid at period end	336	146
Property and equipment additions due to build-to-suit lease transactions (b)	17,870	27,022

(a) The note issued by a vendor during the period is to finance service costs that are operational in nature to better align the cash outflows with the corresponding cash inflows from the customer. However, as the costs were financed through a note payable, the principal repayments will be classified in the financing section of the statement of cash flows in subsequent periods.

(b) The non-cash additions to property and equipment due to build-to-suit lease transactions are the result of the accounting requirements of ASC 840, *Leases* for those construction projects for which we are the “deemed owner” of the construction project as discussed more fully in Note 7, *Property and equipment*.

(21) Subsequent Events

On October 3, 2017 Office Depot, Inc. announced it entered into a definitive agreement to acquire CompuCom Systems, Inc. from THL for total consideration of $940 million, which includes the repayment of CompuCom debt and issuance of new Office Depot shares. Following the transaction, THL will hold an equity position in Office Depot of approximately 8% of total shares outstanding. The transaction closed on November 8, 2017.

On October 18, 2017, the Company sold the undivided 20% interest in the assets of High Performance Technologies, LLC (HPT), for total consideration of $1.4 million, payable in installments over three years. The carrying amount in the investment in HPT was $1.4 million at September 30, 2017, and is included in *Other long-term assets* on the Consolidated Balance Sheet and accounted for as an equity method investment.

The Company has evaluated all other subsequent events through January 19, 2018, which represents the issuance date of these financial statements to ensure that this report includes appropriate disclosure of events both recognized in the consolidated financial statements as of September 30, 2017, and events which occurred subsequent to September 30, 2017 but were not recognized in the consolidated financial statements. As of January 19, 2018, the date of the issuance of these financial statements, there were no other subsequent events which require recognition or disclosure.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On November 8, 2017, Office Depot, Inc. (“Office Depot” or the “Company”) completed its acquisition of THL Portfolio Holdings Corp. (“THL”), an indirect parent company of CompuCom Systems, Inc. (“CompuCom”), pursuant to an Agreement and Plan of Merger, dated as of October 3, 2017 (the “Merger Agreement”), by and among the Company, THL, Lincoln Merger Sub One, Inc., a Delaware corporation and a wholly owned subsidiary of the Company, Lincoln Merger Sub Two, LLC, a Delaware limited liability company and a wholly owned subsidiary of the Company and, for the limited purposes set forth in the Merger Agreement, Thomas H. Lee Equity Fund VI, L.P. (the “Acquisition”).

The unaudited pro forma condensed combined financial statements have been prepared for illustrative purposes only. The pro forma information is not necessarily indicative of what the combined company’s condensed consolidated financial position or results of operations actually would have been had the pro forma events been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the combined company. The pro forma information is based on the assumptions, adjustments and eliminations described in the accompanying notes to the unaudited pro forma combined condensed financial statements.

The unaudited pro forma condensed combined balance sheet gives effect to the Acquisition as if it had occurred on September 30, 2017, while the unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2017, and the year ended December 31, 2016, are presented as if the Acquisition had been consummated on January 1, 2016. The historical financial statements have been adjusted in the pro forma financial statements to give effects to items that are (1) directly attributable to the pro forma transactions, (2) factually supportable, and (3) with respect to the statements of operations, expected to have a continuing impact on the combined company. The unaudited pro forma condensed combined statements of operations does not reflect cost savings expected to be realized from the elimination of certain expenses and synergies expected to be created or the costs to achieve such cost savings or synergies. Such costs may be material and no assurance can be given that cost savings or synergies will be realized. The deferred tax analysis for the combined companies is preliminary and subject to change as more information becomes available. Changes to the deferred tax accounts could increase goodwill.

The unaudited pro forma condensed combined financial statements have been derived from and should be read in conjunction with:

- the accompanying notes to the unaudited pro forma condensed combined financial statements;
- the audited consolidated financial statements of Office Depot as of and for the year ended December 31, 2016, which are included in Office Depot’s Annual Report on Form 10-K, as filed with the SEC;
- the unaudited interim financial statements of Office Depot as of and for the nine months ended September 30, 2017, which are included on Office Depot’s Quarterly Report on Form 10-Q, as filed with the SEC;
- the audited financial statements of CompuCom as of and for the year ended December 31, 2016, which are included in Office Depot’s Current Report on this Form 8-K/A; and
- the unaudited interim financial statements of CompuCom as of and for the nine months ended September 30, 2017, which are included in Office Depot’s Current Report on this Form 8-K/A.

Certain reclassifications have been made to the historical presentation of CompuCom to conform to the presentation used in the unaudited pro forma condensed combined financial statements. Further review may identify additional differences between the accounting policies of the two companies that, when conformed, could have a material impact on the financial statements of the combined company. However, at this time, the Company is not aware of any accounting policy differences that would have a material impact on the unaudited pro forma condensed combined financial statements of the combined company that are not reflected in the pro forma adjustments. As noted above, the deferred tax analysis is preliminary and may change deferred tax account balances and goodwill in future periods.

The unaudited pro forma condensed combined financial information has been prepared using the acquisition method of accounting in accordance with ASC 805, with Office Depot as the acquirer and CompuCom as the acquiree. The acquisition method of accounting is dependent upon certain valuations and other studies that are preliminary and based on work performed to date. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial information. The Company anticipates that all the information needed to identify and measure values assigned to the assets acquired and liabilities assumed will be obtained and finalized during the one-year measurement period following the date of completion of the Acquisition, as required by ASC 805. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and the combined company's future results of operations and financial position.

Office Depot, Inc.
Unaudited Pro Forma Condensed Consolidated Balance Sheet
As of September 30, 2017
(In millions)

	Office Depot Historical September 30, 2017	CompuCom Historical (Rounded) September 30, 2017 Note 2	Pro Forma Acquisition Adjustments	Note 5	Pro Forma Financing Adjustments	Note 5	Total Office Depot Pro Forma Combined
ASSETS							
Current assets:							
Cash and cash equivalents	$ 788	$ 43	$ (805)	5 (a)	$ 716	5 (i)	$ 742
Receivables, net	693	254	—		—		947
Inventories	1,110	29	—		—		1,139
Prepaid expenses and other current assets	100	27	—		—		127
Current assets of discontinued operations	141	—	—		—		141
Total current assets	2,832	353	(805)		716		3,096
Property and equipment, net	627	78	(2)	5 (b)	—		703
Goodwill	379	177	317	5 (c)	—		873
Other intangible assets, net	34	432	(33)	5 (d)	—		433
Timber notes receivable	869	—	—		—		869
Deferred income taxes	428	14	—		—		442
Other assets	228	13	(2)	5 (k)	—		239
Total assets	$ 5,397	$ 1,067	$ (525)		$ 716		$ 6,655
LIABILITIES AND STOCKHOLDERS' EQUITY							
Current liabilities:							
Trade accounts payable	$ 889	$ 104	$ —		$ —		$ 993
Accrued expenses and other current liabilities	883	140	6	5 (e)	—		1,029
Income taxes payable	1	—	—		—		1
Short-term borrowings and current maturities of long-term debt	17	6	—		75	5 (i)	98
Current liabilities of discontinued operations	68	—	—		—		68
Total current liabilities	1,858	250	6		75		2,189
Deferred income taxes and other long-term liabilities	328	160	(16)	5 (f), (j)	—		472
Pension and postretirement obligations, net	123	—	—		—		123
Long-term debt, net of current maturities	265	767	(764)	5 (g)	641	5 (i)	909
Non-recourse debt	781	—	—		—		781
Total liabilities	3,355	1,177	(774)		716		4,474
Redeemable noncontrolling interest	—	14	—		—		14
Commitments and contingencies							
Stockholders' equity:							
Common stock	6	—	—	5 (h)	—		6
Additional paid-in capital	2,588	317	(182)	5 (h)	—		2,723
Accumulated other comprehensive loss	(107)	(1)	1	5 (h)	—		(107)
Accumulated deficit	(221)	(440)	430	5 (h)	—		(231)
Treasury stock, at cost	(224)	—	—		—		(224)
Total stockholders' equity	2,042	(124)	249	5 (h)	—		2,167
Total liabilities and stockholders' equity	$ 5,397	$ 1,067	$ (525)		$ 716		$ 6,655

See accompanying notes to unaudited pro forma condensed combined financial information.

Office Depot, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations
Nine Months Ended September 30, 2017
(In millions, except per share amounts)

	Office Depot Historical Nine Months Ended September 30, 2017	CompuCom Historical (Rounded) Nine Months Ended September 30, 2017 Note 2	Pro Forma Acquisition Adjustments	Note 6	Pro Forma Financing Adjustments	Note 6	Total Office Depot Pro Forma Combined	Note 6
Sales	$ 7,659	$ 809	$ —		$ —		$ 8,468	
Cost of goods sold and occupancy costs	5,805	567	—		—		6,372	
Gross profit	1,854	242	—		—		2,096	
Selling, general and administrative expenses	1,509	206	4	6 (a)	—		1,719	
Asset impairments	1	—	—		—		1	
Merger, restructuring, and other operating (income) expenses, net	62	5	(1)	6 (b)	—		66	
Operating income (loss)	282	31	(3)		—		310	
Other income (expense):								
Interest income	17	—	—		—		17	
Interest expense	(39)	(35)	34	6 (c)	(46)	6 (e)	(86)	
Gain (Loss) on extinguishment of debt	—	—	—		—		—	
Other income (expense), net	(2)	1	—		—		(1)	
Income (loss) from continuing operations before income taxes	258	(3)	31		(46)		240	
Income tax expense (benefit)	63	—	12	6 (d)	(18)	6 (d)	57	
Net income (loss) from continuing operations	195	(3)	19		(28)		183	
Less: Results attributable to the noncontrolling interests	—	2	—		—		2	
Net income (loss) attributable to Office Depot, Inc	$ 195	$ (5)	$ 19		$ (28)		$ 181	
Earnings (loss) per common share from continuing operations								
Basic	$ 0.38						$ 0.32	6 (f)
Diluted	$ 0.37						$ 0.31	6 (f)
Weighted average common shares outstanding:								
Basic	517,373,527						561,132,501	
Diluted	531,755,177						575,514,151	

See accompanying notes to unaudited pro forma condensed combined financial information.

Office Depot, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations
For The Year Ended December 31, 2016
(In millions, except per share amounts)

	Office Depot Historical For the Year Ended December 31, 2016	CompuCom Historical (Rounded) For the Year Ended December 31, 2016 Note 2	Pro Forma Acquisition Adjustments	Note 6	Pro Forma Financing Adjustments	Note 6	Total Office Depot Pro Forma Combined	Note 6
Sales	$ 11,021	$ 1,113	$ —		$ —		$ 12,134	
Cost of goods sold and occupancy costs	8,313	787	—		—		9,100	
Gross profit	2,708	326	—		—		3,034	
Selling, general and administrative expenses	2,242	281	5	6 (a)	—		2,528	
Asset impairments	15	110	—		—		125	
Merger, restructuring, and other operating (income) expenses, net	(80)	16	—		—		(64)	
Operating income (loss)	531	(81)	(5)		—		445	
Other income (expense):								
Interest income	22	—	—		—		22	
Interest expense	(80)	(45)	45	6 (c)	(67)	6 (e)	(147)	
Gain (Loss) on extinguishment of debt	(15)	5	(5)	6 (g)	—		(15)	
Other income (expense), net	1	3	—		—		4	
Income (loss) from continuing operations before income taxes	459	(118)	35		(67)		309	
Income tax expense (benefit)	(220)	9	14	6 (d)	(27)	6 (d)	(224)	
Net income (loss) from continuing operations	679	(127)	21		(40)		533	
Less: Results attributable to the noncontrolling interests	—	1	—		—		1	
Net income (loss) attributable to Office Depot, Inc	$ 679	(128)	$ 21		$ (40)		$ 532	
Earnings (loss) per common share from continuing operations								
Basic	$ 1.26						$ 0.91	6 (f)
Diluted	$ 1.24						$ 0.90	6 (f)
Weighted average common shares outstanding:								
Basic	538,715,628						582,474,602	
Diluted	548,642,496						592,401,470	

See accompanying notes to unaudited pro forma condensed combined financial information.

1. Description of Transactions

Acquisition

On November 8, 2017, the Company completed its acquisition of THL Portfolio Holdings Corp. ("THL"), an indirect parent company of CompuCom, pursuant to an Agreement and Plan of Merger, dated as of October 3, 2017 (the "Merger Agreement"), by and among the Company, THL, Lincoln Merger Sub One, Inc., a Delaware corporation and a wholly owned subsidiary of the Company, Lincoln Merger Sub Two, LLC, a Delaware limited liability company and a wholly owned subsidiary of the Company and, for the limited purposes set forth in the Merger Agreement, Thomas H. Lee Equity Fund VI, L.P.

The aggregate transaction consideration consists of approximately 44 million shares of the Company's common stock, which equates to approximately $135 million in share consideration, and approximately $4 million in cash for holders of in-the-money stock options of THL. The Company also repaid CompuCom's existing Senior Notes and Term Loan.

The foregoing description of the transactions contemplated by the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement, a copy of which was attached as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on October 4, 2017.

Financing - Term Loan Credit Agreement

In connection with the consummation of the acquisition of CompuCom, the Company entered into a Credit Agreement, dated as of November 8, 2017 (the "Term Loan Credit Agreement"), among the Company, as borrower, the other loan parties party and lenders, Goldman Sachs Lending Partners, as administrative agent and collateral agent, and the other financial institutions party. The Term Loan Credit Agreement provides for a $750 million term loan facility with a maturity date of November 8, 2022.

The net proceeds of the loans under the Term Loan Credit Agreement were used to pay off certain indebtedness of CompuCom on its behalf in connection with the Acquisition.

2. Reclassification of CompuCom's Historical Financial Information

Financial information in the "CompuCom Historical" columns in the unaudited pro forma condensed combined financial statements has been reclassified to conform to the presentation in the Office Depot historical financial statements. The reclassification adjustments are summarized as follows:

Reclassifications in the unaudited pro forma condensed combined balance sheet as of September 30, 2017:

($ in millions)	CompuCom Historical Consolidated Balance Sheets (Unaudited, rounded)	Reclassification		CompuCom Pro Forma Historical Consolidated Balance Sheets (Unaudited, rounded)
Assets				
Cash and cash equivalents	42	(42)	(a)	—
Restricted cash instruments	1	(1)	(a)	—
Cash and cash equivalents		43	(a)	43
Receivables, net	250	4	(b)	254
Prepaids	18	(18)	(c)	—
Other current assets	9	(9)	(c)	—
Prepaid expenses and other current assets		27	(c)	27
Deferred income taxes (short-term)	11	(11)	(d)	—
Deferred income taxes (long-term)	3	(3)	(d)	—
Deferred income taxes		14	(d)	14
Other long-term assets	13	(13)	(e)	—
Other assets		13	(e)	13
Liabilities, Redeemable Noncontrolling Interest and Stockholder's Deficit				
Accrued expenses and other current liabilities	136	4	(b)	140
Deferred income taxes	126	(126)	(f)	—
Obligations under build-to-suit lease transactions	29	(29)	(f)	—
Other long-term liabilities	5	(5)	(f)	—
Deferred income taxes and other long-term liabilities		160	(f)	160

(a) Represents the reclassification of (1) "Cash and cash equivalents" of approximately $42 million and (2) "Restricted cash instruments" of approximately $1 million to "Cash and cash equivalents" of approximately $43 million.

(b) Represents a reclassification adjustment of approximately $4 million to increase both "Receivables, net" and "Accrued expenses and other current liabilities" in order to align the accounting policies of CompuCom and Office Depot.

(c) Represents the reclassification of (1) "Prepaids" of approximately $18 million and (2) "Other current assets" of approximately $9 million to "Prepaid expenses and other current assets" of approximately $27 million.

(d) Represents the reclassification of (1) "Deferred income taxes (short-term)" of approximately $11 million and (2) "Deferred income taxes (long-term)" of approximately $3 million to "Deferred income taxes" of approximately $14 million.

(e) Represents the reclassification of "Other long-term assets" of approximately $13 million to "Other assets" of approximately $13 million.

(f) Represents the reclassification of (1) "Deferred income taxes" of approximately $126 million, (2) "Obligations under build-to-suit lease transactions" of approximately $29 million, and (3) "Other long-term liabilities" of approximately $5 million to "Deferred income taxes and other long-term liabilities" of approximately $160 million.

Reclassifications in the unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2017:

($ in millions)	CompuCom Historical Consolidated Statements of Operations (Unaudited, rounded)	Reclassification		CompuCom Pro Forma Historical Consolidated Statements of Operations (Unaudited, rounded)
Revenue:				
Service	645	(645)	(a)	—
Product	164	(164)	(a)	—
Sales		809	(a)	809
Cost of revenue:				
Service	449	(449)	(b)	—
Product	118	(118)	(b)	—
Cost of goods sold and occupancy costs		567	(b)	567
Selling, general and administrative	179	(179)	(c)	—
Depreciation and amortization	27	(27)	(c)	—
Selling, general and administrative expenses		206	(c)	206
Restructuring costs	5	(5)	(d)	—
Merger, restructuring, and other operating (income) expenses, net		5	(d)	5
Financing expenses, net	(35)	35	(e)	—
Interest expense		(35)	(e)	(35)

(a) Represents the reclassification of (1) “Service” revenue of approximately $645 million and (2) “Product” revenue of approximately $164 million to “Sales” of approximately $809 million.

(b) Represents the reclassification of (1) “Service” costs of approximately $449 million and (2) “Product” costs of approximately $118 million to “Cost of goods sold and occupancy costs” of approximately $567 million.

(c) Represents the reclassification of (1) “Selling, general and administrative” of approximately $179 million and (2) “Depreciation and amortization” of approximately $27 million to “Selling, general and administrative expenses” of approximately $206 million.

(d) Represents the reclassification of “Restructuring costs” of approximately $5 million to “Merger, restructuring, and other operating (income) expenses, net” of approximately $5 million.

(e) Represents the reclassification of “Financing expenses, net” of approximately $35 million to “Interest expense” of approximately $35 million.

Reclassifications in the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2016:

($ in millions)	CompuCom Historical Consolidated Statements of Operations (Audited, rounded)	Reclassification		CompuCom Pro Forma Historical Consolidated Statements of Operations (Unaudited, rounded)
Revenue:				
Service	883	(883)	(a)	—
Product	230	(230)	(a)	—
Sales		1,113	(a)	1,113
Cost of revenue:				
Service	620	(620)	(b)	—
Product	167	(167)	(b)	—
Cost of goods sold and occupancy costs		787	(b)	787
Selling, general and administrative	246	(246)	(c)	—
Depreciation and amortization	35	(35)	(c)	—
Selling, general and administrative expenses		281	(c)	281
Restructuring costs	16	(16)	(d)	—
Merger, restructuring, and other operating (income) expenses, net		16	(d)	16
Financing expenses, net	(45)	45	(e)	—
Interest expense		(45)	(e)	(45)

(a) Represents the reclassification of (1) “Service” revenue of approximately $883 million and (2) “Product” revenue of approximately $230 million to “Sales” of approximately $1,113 million.

(b) Represents the reclassification of (1) “Service” costs of approximately $620 million and (2) “Product” costs of approximately $167 million to “Cost of goods sold and occupancy costs” of approximately $787 million.

(c) Represents the reclassification of (1) “Selling, general and administrative” of approximately $246 million and (2) “Depreciation and amortization” of approximately $35 million to “Selling, general and administrative expenses” of approximately $281 million.

(d) Represents the reclassification of “Restructuring costs” of approximately $16 million to “Merger, restructuring, and other operating (income) expenses, net” of approximately $16 million.

(e) Represents the reclassification of “Financing expenses, net” of approximately $45 million to “Interest expense” of approximately $45 million.

3. Fair Value of Consideration Transferred in Connection with the Acquisition

The following is the purchase price for the Acquisition assuming the transaction occurred on September 30, 2017.

(In millions)		Estimated Fair Value
Cash paid for CompuCom Senior Notes and Term Loan (a)	$	790
Cash paid for holders of in-the-money stock options of THL		4
Issuance of Office Depot Common Stock (b)		135
Total Estimated Purchase Price	$	929

(a) Cash paid to debt holders directly on behalf of Compucom for Senior Notes of approximately $215 million and Term Loan of approximately $560 million including Senior Notes redemption premium of approximately $8 million and accrued interest of approximately $7 million.

(b) This share consideration was derived by the issuance of 43,758,974 shares at a share price of 3.09 on November 7th, 2017.

4. Estimate of Assets Acquired and Liabilities Assumed

The final allocation of the purchase price will be determined at a later date and is dependent on a number of factors, including the final valuation of CompuCom's tangible and intangible assets acquired and liabilities assumed, which may be materially different than the value of assets acquired and liabilities assumed in the estimated pro forma adjustments. The pro forma adjustments are preliminary and based on estimates of fair values and useful lives and have been prepared to illustrate the estimated effects of the Acquisition. The allocation is dependent upon certain valuation and other studies conducted to date; however, not all such work has been completed. Accordingly, the pro forma purchase price allocation is subject to further adjustment as additional information becomes available and analyses completed.

The preliminary consideration of the assets acquired and the liabilities assumed by Office Depot in connection with the Acquisition, reconciled to the estimated purchase price, is as follows:

(In millions)		
Net book value of assets acquired	$	(124)
Adjustment for the removal of historical Compucom Senior Notes and Term Loan, including accrued interest		771
Adjustment for other Compucom net assets		(1)
Adjusted net book value of net assets acquired		646
Fair value adjustments, net:		
Intangibles		(33)
Property and equipment, net		(2)
Deferred Revenue		1
Fair value of assets acquired and liabilities assumed, net		612
Incremental Goodwill		317
Total purchase price	$	929

5. Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

The following summarizes the pro forma adjustments to give effect to the Transactions as if they had occurred on September 30, 2017 for purposes of the pro forma condensed consolidated balance sheet:

(a) Reflects (i) payment of CompuCom indebtedness related to its existing Term Loan of approximately $560 million and Senior Notes of approximately $215 million; (ii) payment of accrued interest of approximately $7 million, (iii) payment of Senior Notes redemption premium of approximately $8 million, (iv) payment of in-the-money stock options to former THL holders of approximately $4 million; and (v) payment of acquisition-related transaction costs of approximately $11 million paid on the closing date. Because the acquisition-related transaction costs are not expected to have a continuing impact on the combined company's results, the amount was recorded as an increase to accumulated deficit for the $10 million not reflected in the historical financials and a decrease to accrued expenses for the $1 million reflected in in the historical financials. Additionally, the Company will continue to incur transaction-related costs, including legal, accounting, valuation, and other costs subsequent to the Acquisition closing date and such costs likely will be significant; however, no pro forma adjustments for these costs were recorded.

(In millions)	As of September 30, 2017	
CompuCom Term Loan	$	560
CompuCom Senior Notes		215
Accrued Interest		7
Senior Notes Redemption Premium		8
Payment of CompuCom indebtedness		790
Payment of stock options		4
Payment of transaction costs		11
Total Adjustment to cash and cash equivalents	$	805

(b) Reflects the purchase accounting adjustment to recognize property and equipment, net at fair value. A summary of the effects of the preliminary purchase price allocation to property and equipment, net is as follows:

(In millions)	Historical Net Book Value	Estimated Fair Value	Pro Forma Adjustment	Useful Life (years)
Computer Equipment	$ 10	$ 8	$ (2)	3.4
Software	8	8	—	2.4
Leasehold	12	12	—	9.8
Furniture	4	4	—	5.8
Buildings	12	12	—	25.0
Construction in progress	32	32	—	N/A
Total property and equipment, net	$ 78	$ 76	$ (2)	

(c) Goodwill is calculated as the difference between the fair value of the consideration transferred (See Footnote 3) and the values assigned to the identifiable tangible and intangible assets acquired and liabilities assumed (See Footnote 4).

(d) Reflects the purchase accounting adjustment of approximately $33 million to record other identifiable intangible assets at fair value. A summary of the effects of the preliminary purchase price allocation to other intangible assets is as follows:

(In millions)	Historical Net Book Value	Estimated Fair Value	Pro Forma Adjustment	Useful Life (years)
Customer Relationships	$ 307	$ 301	$ (6)	13.0
Trade Names	125	70	(55)	N/A
Technology	—	28	28	2.5
Total other intangible assets	$ 432	$ 399	$ (33)	

(e) Reflects the purchase accounting adjustments to (i) eliminate accrued interest of approximately $7 million, (ii) to eliminate accrued transaction costs of approximately $1 million, and (iii) to accrue for the transaction bonuses made to CompuCom employees of approximately $14 million. Short-term deferred revenue is appropriately stated at its fair value of approximately $18 million.

(f) Reflects the purchase accounting adjustments to (i) reduce long-term deferred revenue of approximately $1 million and (ii) to eliminate existing long-term deferred charges of approximately $2 million.

(g) Reflects the reduction of CompuCom indebtedness paid in connection with the Acquisition related to its existing Term Loan and Senior Notes net of any unamortized discounts and debt issuance costs in the amount of approximately $764 million.

(In millions)	As of September 30, 2017
CompuCom Term Loan	$ 560
Unamortized discount on Term Loan	(1)
CompuCom Senior Notes	215
Unamortized debt issuance costs on extinguished debt	(10)
Payment of CompuCom indebtedness	$ 764

(h) Reflects the following adjustments to eliminate CompuCom's historical stockholders' deficit, to record acquisition-related transaction costs totaling approximately $10 million paid on the closing date that are not reflected in the historical financials, and to record the fair value of Office Depot common stock issued in connection with the transaction.

(In millions)	
Eliminate CompuCom's historical stockholders' deficit	$124
Fair value of the shares of Office Depot common stock issued	135
Certain acquisition-related transaction costs	(10)
Total Adjustment to Stockholder's Equity	$249

(i) Reflects the entry into the Term Loan Credit Agreement, which provides for a $750 million term loan facility with a maturity date of November 8, 2022 in order to help fund the Acquisition. The loan under the Term Loan Credit Agreement was issued with an original issue discount ("OID"), at an issue price of 97.00%. The gross balance of the debt is shown net of this OID, which is $22.5 million, and net deferred financing costs of approximately $11 million. In addition, the loan amortizes quarterly at the rate of $18.8 million per quarter, with the balance payable at maturity. Therefore, assuming the transaction occurred on September 30, 2017, there would be 4 payments in the first year or $75 million that is classified as short-term borrowings, and the remainder of approximately $641 million in long-term debt.

(j) Reflects the pro forma adjustment for deferred tax liabilities resulting from the fair value adjustments of $33 million related to net intangible assets assuming a tax rate of 40%.

(k) Reflects the purchase accounting adjustment to eliminate existing long-term deferred charges recorded in other assets of approximately $2 million.

6. Adjustments to Unaudited Pro Forma Condensed Combined Statements of Operations

The following summarizes the pro forma adjustments to give effect to the Transactions as if they had occurred on January 1, 2016 for purposes of the pro forma condensed consolidated statement of operations:

a) The following represents adjustments to selling, general and administrative expenses ("SG&A"):

a1) Represents the incremental amortization of the fair value of identified intangible assets with definite lives for the nine months ended September 30, 2017 and for the year ended December 31, 2016. The incremental amortization expense for intangible assets is calculated using the straight line method over the estimated remaining useful life, less the historical amortization expense related to those intangible assets.

CompuCom Intangibles (In millions)	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Estimated amortization expense	$ 26	$ 34
Elimination of historical amortization expense	18	25
Total (a1)	$ 8	$ 9

a2) Represents the change in depreciation for the fair value of property and equipment for the nine months ended September 30, 2017 and for the year ended December 31, 2016. The change in depreciation expense is calculated using the straight line method over the estimated remaining useful lives, less the historical depreciation expense related to each property and equipment type.

CompuCom Property and Equipment (In millions)	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Estimated depreciation expense	$ 6	$ 8
Elimination of historical depreciation expense	9	10
Total (a2)	$ (3)	$ (2)

a3) CompuCom was historically a party to a management services agreement with THL Manager VI, LLC, an affiliate of THL. CompuCom paid an annual fee to THL in an amount per year equal to the greater of 1) $1.5 million or 2) 1.0% of Consolidated Adjusted EBITDA for the immediately preceding fiscal year. CompuCom incurred $1.5 million in fees to THL for the year ended December 31, 2016 and approximately $1.1 million in fees for the nine months ended September 30, 2017. Given THL is no longer providing these management services to CompuCom as a result of the Acquisition, these fees have been removed as a pro forma adjustment in the unaudited pro forma condensed combined statements of operations.

CompuCom Sponsor Fee (In millions)	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Elimination of Sponsor Fee (a3)	$ (1)	$ (2)

Total Adjustments to SG&A (In millions)	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
a1	$ 8	$ 9
a2	(3)	(2)
a3	(1)	(2)
Total Adjustment to SG&A	$ 4	$ 5

b) Represents the reversal of non-recurring transaction costs which are directly attributable to the Transactions and included in the historical statement of operations for the nine months ended September 30, 2017.

c) Represents the elimination of interest expense on CompuCom debt, which includes the Term Loan and Senior Notes, which were extinguished as a part of the Transactions. The decrease in interest expense for the nine months ended September 30, 2017 was approximately $34 million and for the year ended December 31, 2016 was approximately $45 million.

d) Represents the income tax effect for adjustments related to the Transactions using a 40% statutory tax rate.

e) Represents the increased interest expense for the nine months period ended September 30, 2017 of approximately $46 million and for the year ended December 31, 2016 of approximately $67 million associated with the new $750 million term loan facility used to help finance the Acquisition, using the effective interest method. The loans under the Term Loan Credit Agreement bear interest at a rate per annum equal to LIBOR plus 7.00%. A 1/8% increase (decrease) in the annual interest rate on this variable term loan would cause the net income (loss) to increase (decrease) for the nine months ended September 30, 2017 and the year ended December 31, 2016 by $0.6 million and $0.9 million, respectively.

f) The unaudited pro forma condensed combined basic and diluted earnings per share calculations are based on the combined basic and diluted weighted-average shares, after giving effect to the new issuance of approximately 44 million in shares in connection with the transaction.

	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Weighted-average shares used in computing net earnings per share – Office Depot	517,373,527	538,715,628
Shares of Office Depot common stock issued as a result of the Merger	43,758,974	43,758,974
Pro forma weighted-average shares used in computing net earnings per share – basic	561,132,501	582,474,602
Dilutive securities – Office Depot plans	14,381,650	9,926,868
Pro forma weighted-average shares used in computing net earnings per share – diluted	575,514,151	592,401,470

g) Represents the elimination of a gain on extinguishment of debt of approximately $5 million for the year ended December 31, 2016 related to the Senior Notes that were paid in connection with the Acquisition.